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NATIONAL DAIRY
PRODUCTS CORPORATION

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25th ANNUAL REPORT • 1948

MRB
Corp. File

Hydrox
Sealtest
ICE CREAM AND ICES
Hydrox
Sealtest
ICE CREAM
BULK GALLON

KRAFT
OLIVE PIMENTO
CHEESE SPREAD
KRAFT
PINEAPPLE
CHEESE SPREAD
A KRAFT PRODUCT
Smokelle
CHEESE SPREAD

Breakstone's
PASTEURIZED
SOUR CREAM
HOMOGENIZED
Breakstone's
SWEET
BUTTER
Delicious!
Breakstone's
WHIPPED BUTTER
Breakstone's
Creamed
COTTAGE CHEESE

Deerfoot Farms
COOKED
READY TO EAT
HAM
Deerfoot farms
Deerfoot Farms Sausage

A KRAFT PRODUCT
Old English
Spread
KRAFT
Cheese and Bacon Spread
KRAFT
LIMBURGER
CHEESE SPREAD

Kraft
Mustard
Kraft
PREPARED
HORSERADISH
Kraft
SALAD
Mustard
Kraft
Mustard
HORSERADISH

SHEFFIELD FARMS
Sealect
FRESH EGGS
LARGE WHITE
NEW JERSEY
STATE
CERTIFIED
SHEFFIELD FARMS
NEW JERSEY STATE CERTIFIED
FRESH EGGS
BADGER
LIMBURGER CHEESE
MOHAWK VALLEY
LIMBURGER
MOOSE BRAND
LIMBURGER

Formulac*
INFANT FOOD
Sealtest
KRAFT FOODS COMPANY

FRIZZ MAKES DELICIOUS ICE CREAM
A KRAFT PRODUCT
FRIZZ
MAKES DELICIOUS
ICE CREAM
New and Improved
AND NO SUGAR NEEDED
JUST ADD WATER
KRAFT FOODS COMPANY • DISTRIBUTOR • CHICAGO, ILL.

made by KRAFT
Parkay
NEW!
COLOR-KWIK
PACKAGE
15,000 UNITS
VITAMIN A
VEGETABLE OLEOMARGARINE

KRAFT
DINNER
FOR Delicious
MACARONI-AND-CHEESE
ONLY 7 minutes
COOKING TIME REQUIRED
(NO BAKING)

Miracle
FRENCH DRESSING
CREATED BY
KRAFT
KRAFT
Kitchen Fresh
FRENCH DRESSING

KRAFT
MALTED
MILK
WESTERN
MARYLAND
Raisin Bread

SHEFFIELD
N-Z-CASE
SHEFFIELD
N-Z-TONE

Kay
NATURAL
CHEDDAR CHEESE
MADE BY
KRAFT
Kay
NATURAL
CHEDDAR CHEESE
MADE BY
KRAFT
Kay
NATURAL
CHEDDAR CHEESE
MADE BY
KRAFT

MacLAREN'S
Imperial
Cheese
MacLAREN'S
Imperial
Cheese
MADE BY KRAFT
A SUPERB BLEND OF AGED CHEDDAR CHEESE
KRAFT FOODS COMPANY • MANUFACTURER • CHICAGO

Annual Report · 1948

National Dairy Products Corporation

Dedicated to the wider use and better understanding of dairy products as human food . . . as a base for the development of new products and materials . . . as a source of health and enduring progress on the farms and in the towns and cities of America.

The Annual Meeting of Stockholders is scheduled for April 21, 1949. A proxy statement is expected to be sent to stockholders on or about March 24, 1949 at which time proxies for the Annual Meeting will be requested.

Review in Brief

OUR OPERATING RECORD

	1948		1947	
OUR INCOME:				
The sale of our products amounted to	$986,404,000		$897,324,000	
Our income from other sources was	2,465,000		2,438,000	
This gave us a total income of		$988,869,000		$899,762,000
OUR COSTS AND EXPENSES:				
Milk and other products purchased from farmers and raw materials bought from other suppliers cost us	$627,220,000		$571,702,000	
To process our products and serve our customers, we paid wages and salaries of	152,574,000		141,372,000	
Operating services and supplies, and other miscellaneous costs of doing business totalled	74,342,000		67,913,000	
To package our products in bottles, cans, cases, cartons, jars and other containers required	50,908,000		42,373,000	
Our direct taxes to help support Federal, State and Municipal governments were	23,824,000		21,963,000	
Repairs and maintenance to keep our plants functioning efficiently cost	19,825,000		19,286,000	
In addition to repairs and maintenance, we provided for depreciation on plant and equipment	12,961,000		10,636,000	
We paid as interest to our bondholders	1,857,000		1,358,000	
This brought our total costs and expenses to		963,511,000		876,603,000
OUR PROFIT:				
This left a profit of 2.6 cents on each $1 of sales for each year (the equivalent of $4.03 per share in 1948 and $3.68 in 1947) or a total of		$ 25,358,000		$ 23,159,000
Which was divided as follows:				
Paid to common stockholders as dividends at the rate of $1.80 per share in each year	$ 11,306,000		$ 11,295,000	
Re-invested in the business	$ 14,052,000		$ 11,864,000	

(The Statements of Consolidated Profit and Loss and Earned Surplus will be found on page 12.)

Review in Brief

OUR FINANCIAL POSITION

WE OWNED

	1948	1947
Cash and Government bonds	$ 45,690,000	$ 30,614,000
Due from customers	36,893,000	36,462,000
Products, materials and supplies	89,712,000	86,168,000
Investments and other assets	11,031,000	8,561,000
Property, plant and equipment (net)	134,316,000	115,138,000
Total Owned	$317,642,000	$276,943,000

WE OWED

Bank loans	$ —0—	$ 7,500,000
For materials, services and taxes	56,293,000	55,516,000
Reserves for prior years' taxes, insurance, etc.	10,320,000	9,578,000
Long-term debt outstanding	81,500,000	49,000,000
Total Owed	$148,113,000	$121,594,000
Reserve for possible future inventory price declines and other contingencies	15,000,000	15,000,000
OUR NET WORTH, the excess of what we owned over what we owed and reserved	154,529,000	140,349,000
	$317,642,000	$276,943,000

(The Consolidated Balance Sheets will be found on pages 10 and 11.)

The President's Statement

L. A. VAN BOMEL

With the year 1948, National Dairy completed the first quarter-century of its existence as a company. But in the case of some of its subsidiary companies its history goes back more than 100 years.

Within this quarter-century, the birth and development of the whole modern science of human nutrition has taken place. As knowledge of this important subject has increased, so has the food processor's and distributor's opportunity to broaden his service and usefulness to the public.

Greater resources and more extensive facilities became necessary to keep pace with the new things research was discovering about food, diet and nutrition. Processing in greater volume, with wider and better distribution, was required to make new, safe and improved products available to more people swiftly and more economically.

National Dairy's purpose has always been to sell high quality products to the largest possible number of people at the lowest price consistent with sound business principles. We have constantly sought to learn more about food and nutrition, and to translate this knowledge into better, and more wholesome products for the consuming public.

In following this objective, our Company has gradually broadened its scope, so that it now processes a widely diversified list of foods and food products.

National Dairy has been able to grow with the country because it is in a business that is important to the country, and because the public has approved the service it renders. To improve and extend that service is the goal we have set for the Company's second quarter-century.

In the Anniversary section of this report you will find more about the many activities in which National Dairy is engaged. We commend those pages to you.

SALES AT NEW HIGH

In 1948, its 25th Anniversary year, National Dairy's dollar sales again reached a new high, although the unit volume of products sold declined slightly from the preceding year. Dollar sales in 1948 totalled \$986,404,000. This was an increase of 9.93 per cent over 1947. The steady rise in our dollar sales has now been uninterrupted for ten consecutive years.

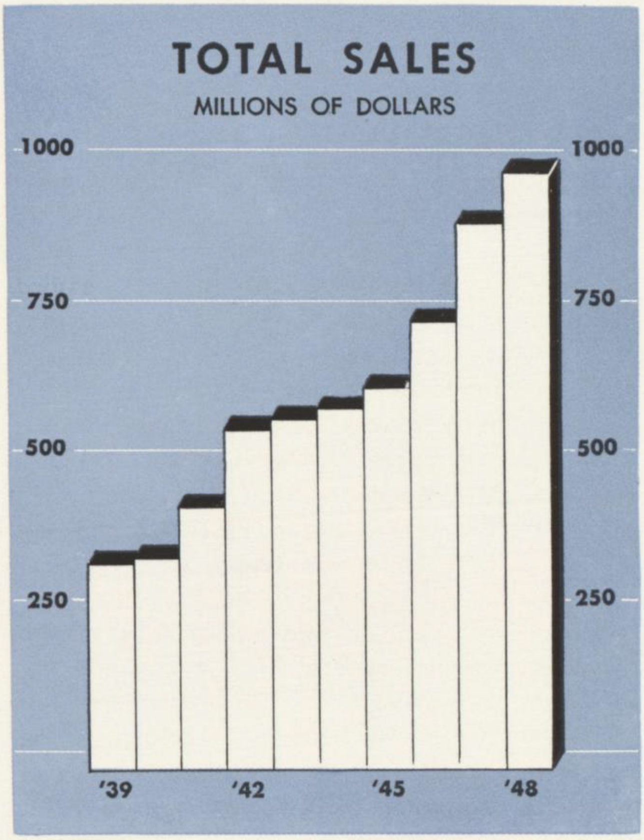
As in other recent years, however, the upward spiral in the price of materials, supplies, labor and other items of cost brought our total expenses in 1948 to a new high. Our total costs and expenses were \$963,511,000, an increase of 9.91 per cent over the preceding year.

Every stockholder and every individual has personally experienced the cycle of high prices which has raised the cost of living to a record peak in 1948. But the cost of doing business has increased even more. The householder's dollar in 1948 was a 57-cent dollar in terms of 1939 buying power. The 1948 business dollar, measured by the same standards, would buy only 46 cents worth of labor or 40 cents worth of raw materials.

We are happy to report, however, that the general upward spiral in most costs and prices has passed its peak at last. There were substantial price declines in the latter part of 1948 on certain raw materials which we purchase in large volume. This has enabled us to lower consumer prices on many of our products. Any additional relief which might take place in costs would be welcomed by the Company, as an opportunity to further reduce consumer prices, thus stimulating the sale of our products.

EARNINGS UP

While costs and expenses reached a record high in 1948, continued attention to efficiency and economy in all of our operations, combined with a marked increase in total dollar sales, enabled us to increase earnings. Net profits for 1948 increased to $25,358,546 from $23,159,391 for the preceding year. While earnings per share rose to $4.03 in 1948 from $3.68 in 1947 on approximately the same number of outstanding shares, the profit for both years represents only 2.6 cents per dollar of sales.


TOTAL SALES

MILLIONS OF DOLLARS

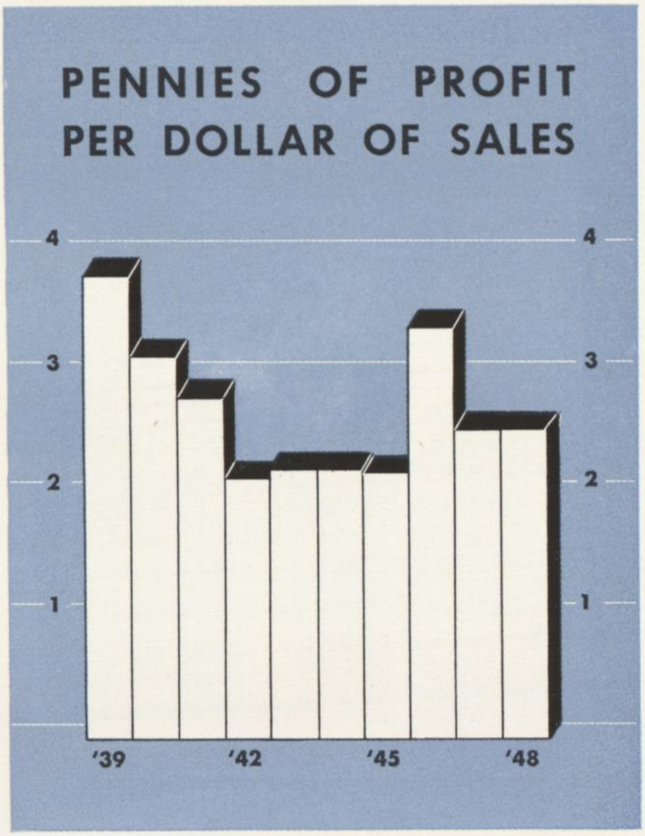
Our inventories are satisfactory, amounting to $89,712,000 at the end of 1948. This amount is only slightly higher than our inventory at the end of the preceding year. Inventories are carried at the lesser of cost or market. In view of the uncertain outlook for general commodity prices we have maintained the $15,000,000 reserve for future inventory price declines and other contingencies.

The Company enters its second quarter-century in a strong financial position. Current assets were $172,295,000 an increase of $19,051,000 over the preceding year. Current liabilities totalled $56,293,000, a decrease of $6,723,000 from the preceding year. We had $45,690,000 in cash and government securities on hand at the close of 1948 and working capital of $116,002,000. The net worth on December 31, 1948 was $154,529,000 compared with $140,349,000 at the end of 1947.

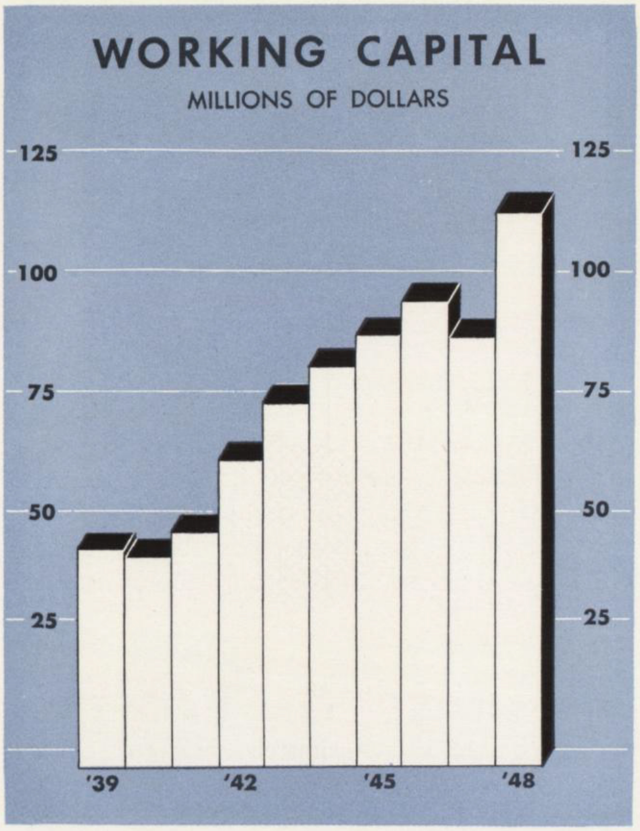
DIVIDENDS

Dividends in 1948 totalled $1.80 a share, the same as in 1947, which was the highest rate paid by the Company during the past sixteen years. Although per share earnings in 1948 were greater than in 1947, the continuing high level of capital expenditures made it unwise to increase the dividend rate. In order to finance our capital expenditures program it was deemed advisable to increase our long-term debt by $30,000,000.

To provide for our growth in Canada, we also borrowed $3,000,000 in Canadian currency for working


PENNIES OF PROFIT PER DOLLAR OF SALES

capital and improvement of our properties there. This increased our total long-term debt to $81,500,000 at December 31, 1948.

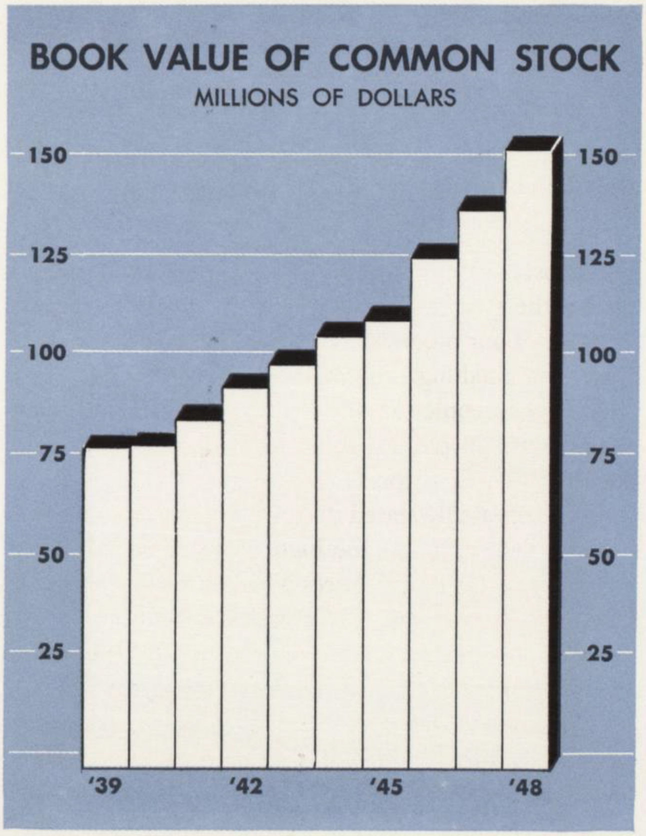


We call your special attention to the financial statements and to the condensed ten-year statements of Assets and Liabilities and Profit and Loss which appear on pages 10-16. These give a more detailed report of our financial position and the progress of the past ten years than is possible in this letter or the preceding Review in Brief.

CAPITAL EXPENDITURES

The growth of the Company's business, together with the unavailability of materials for plant and equipment replacements and additions during the war years as well as higher prices, have necessitated greater capital expenditures as materials have become available again. Originally, we had planned the erection of a number of new plants as a part of this post-war program. The high cost of building in the present market, however, has caused us to postpone wherever possible the construction of new buildings. We were able to make two advantageous purchases of war surplus properties from the War Assets Administration. Other than these, capital expenditures have been limited largely to the plant and equipment improvements and additions required by our growing business.

Capital expenditures amounted to $33,618,000, bringing our total outlay for replacement and addition to plant and equipment to $88,198,000 in the past three years.



FOREIGN PROPERTIES

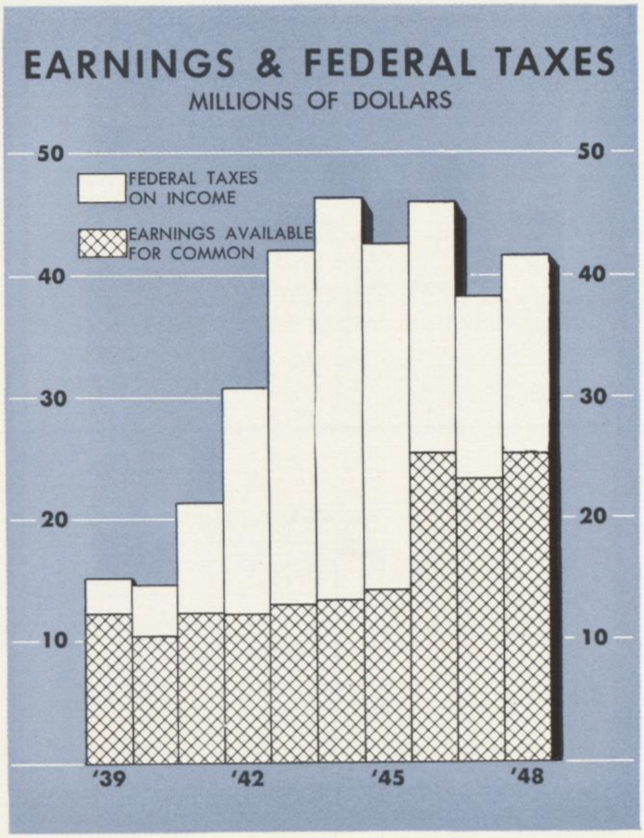
Our business in Canada and Australia continues to expand. In England, where we operate under government authority, materials are still limited and our output is considerably less than in pre-war years. While our business in Argentina is satisfactory, it is subject to restriction. In 1948 we regained possession of our German properties and we now control all of our properties located in continental Europe, which are minor. Many problems are still to be solved in connection with certain of our foreign operations. Our foreign subsidiaries have not been included in the consolidated financial statements. The net sales and the Company's share of net profits for the year ended December 31, 1948 of subsidiaries located in Canada, England, Australia and Argentina aggregated $33,398,469 and $716,951, respectively. Dividends from our English and Canadian subsidiaries amounted to $277,294 and $205,502, respectively, or a total of $482,796, which amount has been credited to profit and loss. We received no dividends from our Australian operations as all earnings were required to finance the substantial growth of our business there. No dividends were received from the Argentine subsidiary because of exchange control regulations.

HOLDING CONSUMER PRICES DOWN

It is a source of regret to the Company that the high costs which prevailed throughout the country during the greater part of 1948 forced the selling price of many of our products to record high levels. We have always opposed high consumer prices. When prices are high, fewer people can afford to buy. When prices are lower, more people can afford to buy, and that is good for the public and for us.

We repeatedly stated during the past year that the price of fluid milk was too high. We did everything in our power to hold milk prices down in the face of rising costs. To the extent that ceaseless attention to efficiency and economy in every step of our operations could accomplish this, we were successful. From 1939 to 1948 the average price of other foods increased 116 per cent, while the price of milk increased only 78 per cent. Even at 1948 high prices, milk remained the most nourishing and economical food the consumer could buy.

The truth is that the major factors influencing milk prices are beyond our control. The price we must pay the farmer in most of the major markets in which we sell fluid milk is set by Governmental agencies. Labor costs have been subject to a nation-wide pattern of repeated increases. Prices of all other items which we must purchase to operate our business have been set by the market. These costs and expenses, which in 1948 amounted to approximately 97½ cents of each dollar of sales, are for the most part, beyond our control. To the extent that we are able to effect any reduction in costs, we shall always seek to reflect such reductions in lower prices to consumers.



A "REASONABLE" PROFIT

National Dairy's over-all profit in 1948 was 2.6 cents on each dollar of sales. In the post-war years the profit never rose above 3.43 cents on each sales dollar. In our fluid milk divisions our profit was even lower, averaging about ½ cent per point on route sales (for this purpose a "point" being 1 qt. milk, ½ pt. cream, 1 doz. eggs, 1 lb. butter, etc.). In New York City for many years our fluid milk operation has failed to earn a profit which even approaches a fair return for the quality of the products it sells, the services required, and for the size of the business.

No company has a right to take, or to expect, a profit which places an unfair burden on the consuming public. National Dairy has always recognized this. But management also has a responsibility to protect the security of the business.

To be truly reasonable, a profit must not only be fair to the consumer, but it must also serve two other basic purposes which are essential to the welfare of all concerned. First, it must provide a return to the stockholder that is adequate both to compensate him for his investment and to attract new capital when necessary for the expansion and improvement of the business. Second, a profit must also provide a sum above dividends to supply working capital and to cover plant and equipment replacement costs, which for some years have exceeded depreciation charges.

ADEQUATE EARNINGS ESSENTIAL

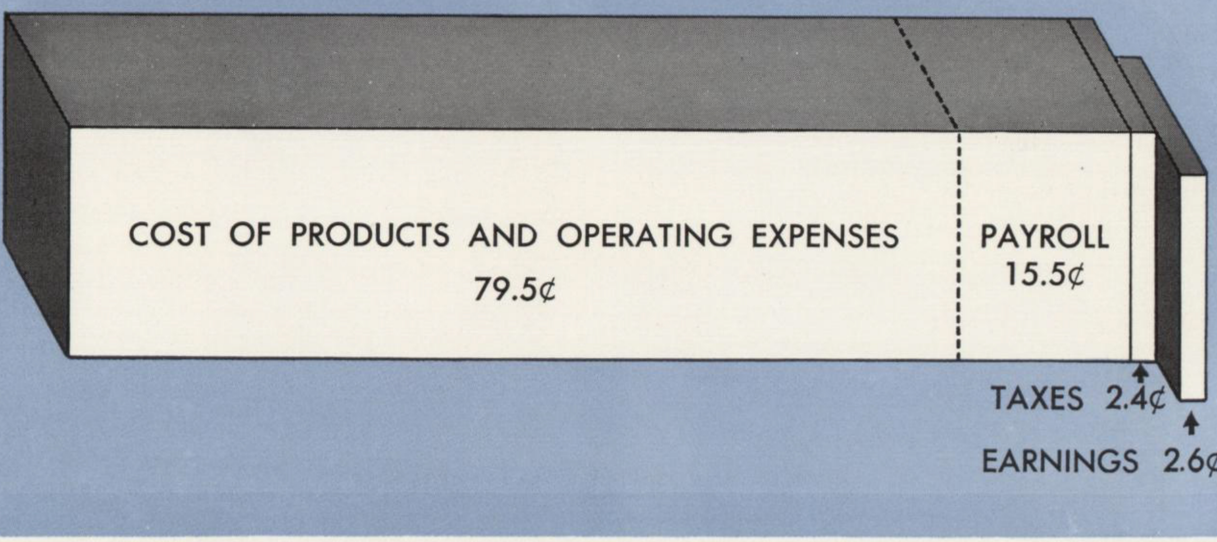
This second function of profits is particularly important in times, such as the present, of current high costs of replacements. For instance, a truck which National Dairy bought for $1,000 in 1940 costs about $2,000 to replace today. In other words, the Company must earn the difference between the original cost and the higher replacement cost if it is to continue to render the same efficient service.

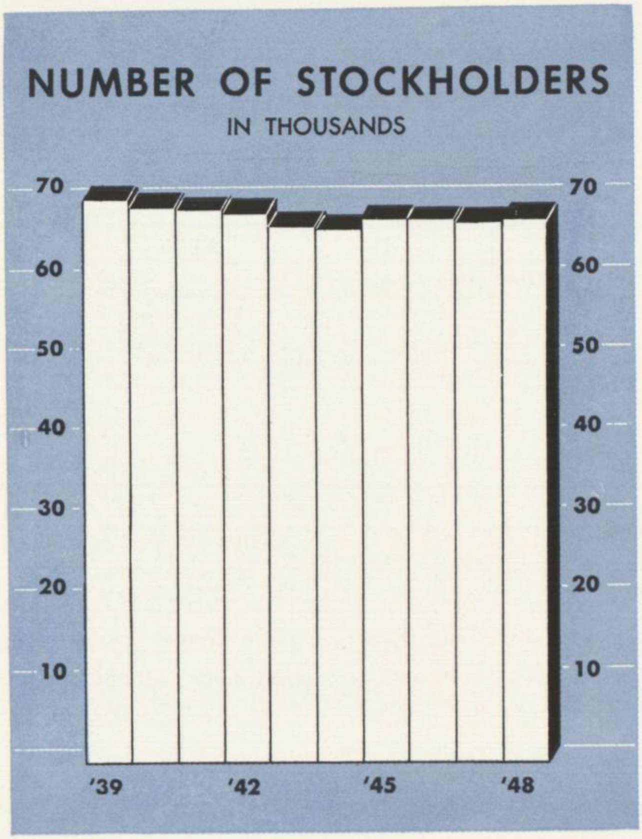
Under these circumstances, the "reasonableness" of our profit can only be questioned in terms of its adequacy. Yet in some markets our companies have been attacked on absurd charges of "unreasonable profits", and in several of these markets they have found themselves, along with other dairy companies, parties to suits brought under the Federal anti-trust laws as a drive against high prices. Needless to say, we vigorously deny these accusations.

FUTURE PROSPECTS GOOD

The Company enters the new year with many favorable basic factors. The population is still increasing. Employment remains high at good wages. Public appreciation of the nutritional value of dairy foods and acceptance of our dairy and other products have never been greater. Barring unexpected developments, we believe that our unit sales volume in 1949 will compare favorably with recent years.

HOW THE SALES DOLLAR WAS DIVIDED IN 1948





Competitively, our organization is in excellent shape. Our operating executives as a group are among the ablest and most experienced in the industry. We are continuing our plans to develop future executive personnel to the same high level of management ability that we have always maintained. Since the war, a large amount of new and more efficient equipment has been installed, and more is being added. We are amply prepared to take advantage of every sales opportunity.

HARRELL H. NEEL

The sudden death on February 23, 1949, of Mr. Harrell H. Neel, a Vice President of National Dairy and a Director, is recorded with deep regret. Mr. Neel, who rose from a job as milk driver to his high position in the Company, was an able and beloved colleague.

A native of Louisville, Ky., Mr. Neel successively became plant operator, office manager and Secretary of D. H. Ewing's Sons, which entered the National Dairy group of companies in 1930. From 1936 to 1946, he was President of Ewing-Von Allmen Dairy Company, becoming then Assistant Vice President of National Dairy, and finally Vice President. We shall miss the friendly presence and conscientious devotion to duty of Harrell Neel. His faithful service and wise counsel were a true inspiration to all of us during his 19 years of service.

ACKNOWLEDGMENT

Acknowledgment is due our many employees, who have contributed so much to the success of the organization in the past, and whose loyalty and cooperation rank high among the assets of the Company.

L A Van Bomel
President

By order of the
Board of Directors

Thos. H. McInnerney
Chairman of the Board

New York, N. Y.
March 10, 1949

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Consolidated Balance Sheets

ASSETS	*December 31*	
	1948	1947
CURRENT ASSETS:		
Cash	$ 39,986,989	$ 24,916,524
U. S. Government securities	5,703,309	5,697,488
Notes and accounts receivable, less reserve	36,892,995	36,462,232
Inventories, lower of average cost or market—		
Products and materials	77,267,492	72,143,135
Supplies	12,444,196	14,025,019
Total Current Assets	$172,294,981	$153,244,398
INVESTMENTS AND OTHER ASSETS:		
Foreign subsidiaries—		
Canadian	$ 6,045,558	$ 3,986,473
English, Australian and Argentine	3,953,451	3,964,633
Continental European	1	1
	$ 9,999,010	$ 7,951,107
Less—Reserve for investments	3,503,935	3,503,935
	$ 6,495,075	$ 4,447,172
Domestic subsidiaries, not consolidated	13,252	214,682
Miscellaneous investments, deposits and receivables, less reserve	2,333,893	2,046,551
	$ 8,842,220	$ 6,708,405
PROPERTY, PLANT AND EQUIPMENT (Stated at cost or, as to certain properties, at sound values as appraised as of dates of acquisition, less certain adjustments):		
Land	$ 13,216,605	$ 12,846,359
Buildings, machinery and equipment	203,351,382	176,203,946
	$216,567,987	$189,050,305
Less—Reserve for depreciation	82,252,328	73,912,430
	$134,315,659	$115,137,875
PREPAID AND DEFERRED ITEMS	$ 2,188,810	$ 1,852,151
GOODWILL	$ 1	$ 1
	$317,641,671	$276,942,830

(See Notes to Consolidated Financial Statements, page 13)

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Consolidated Balance Sheets

LIABILITIES	December 31	
	1948	1947
CURRENT LIABILITIES:		
Bank loans	$ None	$ 7,500,000
Accounts payable	31,254,663	31,224,651
Accrued liabilities	8,838,441	9,291,112
Provision for Federal taxes on income	16,200,000	15,000,000
Total Current Liabilities	$ 56,293,104	$ 63,015,763
LONG-TERM DEBT:		
2¾% Debentures due 1970 (Minimum annual sinking fund requirements: 1946-1950—$500,000 principal amount; 1951-1955—$1,000,000; 1956-1969—$1,500,000)	$ 48,500,000	$ 49,000,000
3% Debentures due 1970 (Minimum annual sinking fund requirements: 1950-1954—$600,000 principal amount; 1955-1959—$900,000; 1960-1969—$1,200,000)	30,000,000	None
3⅛% Notes (Due serially in Canadian funds $250,000 on December 1, each year 1951-1962)	3,000,000	None
	$ 81,500,000	$ 49,000,000
MINORITY INTEREST IN SUBSIDIARIES	$ 319,008	$ 339,767
RESERVES:		
Possible future inventory price declines and other contingencies	$ 15,000,000	$ 15,000,000
Prior years' Federal and State taxes	8,722,362	8,098,608
Insurance and other	1,278,301	1,139,774
	$ 25,000,663	$ 24,238,382
CAPITAL STOCK AND EARNED SURPLUS:		
Common stock, authorized, without par value, 8,000,000 shares Issued and outstanding at stated value— 6,283,587 shares (1947—6,277,912 shares)	$ 51,904,703	$ 51,777,022
Earned surplus, per statement attached	102,624,193	88,571,896
	$154,528,896	$140,348,918
	$317,641,671	$276,942,830

(See Notes to Consolidated Financial Statements, page 13)

NATIONAL DAIRY PRODUCTS CORPORATION

AND DOMESTIC SUBSIDIARY COMPANIES

Statements of Consolidated Profit and Loss and Earned Surplus

CONSOLIDATED PROFIT AND LOSS

	Year Ended December 31	
	1948	1947
INCOME:		
Net sales	$986,403,723	$897,323,456
Other income	2,465,639	2,438,404
Total	$988,869,362	$899,761,860
INCOME DEDUCTIONS:		
Cost of products	$779,298,141	$708,068,994
Delivery expense	94,001,117	87,526,151
Selling expense	46,548,403	40,907,892
General and administrative expense	26,372,696	23,463,829
Miscellaneous charges—*credits* (net)	*766,972*	278,035
Interest on long-term debt	1,857,431	1,357,568
Provision for Federal taxes on income	16,200,000	15,000,000
Total	$963,510,816	$876,602,469
Net profit for the year	$ 25,358,546	$ 23,159,391

The provision for depreciation charged to costs and expenses amounted in 1948 to $12,960,570 and in 1947 to $10,636,401.

CONSOLIDATED EARNED SURPLUS

	1948	1947
Balance at beginning of year	$ 88,571,896	$ 76,707,772
Net profit for the year	25,358,546	23,159,391
	$113,930,442	$ 99,867,163
Dividends on common stock—$1.80 per share in each year	11,306,249	11,295,267
Balance at end of year	$102,624,193	$ 88,571,896

(See Notes to Consolidated Financial Statements, page 13)

COMPTROLLER'S CERTIFICATE

The foregoing financial statements have been prepared under my direction from the companies' books kept under my supervision and, to the best of my knowledge and belief, fairly state the consolidated position of National Dairy Products Corporation and domestic subsidiaries as of December 31, 1948 and the consolidated operations for the year ended on that date.

A Boag Jr.

Assistant Comptroller

New York, N. Y., March 10, 1949

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements . . . December 31, 1948

PRINCIPLES OF CONSOLIDATION

All domestic subsidiary companies have been included in consolidation in the financial statements, except a mutual insurance company and three minor companies in which latter companies a majority but not more than sixty per cent of the voting stock is owned.

All foreign subsidiaries have been excluded from consolidation in the financial statements. The net sales of subsidiaries located in Canada, England, Australia and Argentina aggregated $33,398,469 for the year 1948 and $29,764,238 for the year 1947. The Corporation's equity in the net profits of such subsidiaries for the years 1948 and 1947 was $716,951 and $530,233, respectively. Dividends of $482,796 in 1948 and $530,336 in 1947 were received from English and Canadian subsidiaries and credited to profit and loss.

DIVIDEND RESTRICTION

The Indenture and Supplemental Indentures under which the Debentures of the Corporation are outstanding contain provisions with respect to the payment of dividends on the common stock. Under these provisions approximately $74,000,000 of the consolidated earned surplus was restricted at December 31, 1948.

INCENTIVE COMPENSATION PLANS

Under the incentive compensation plans of the subsidiaries, officers and employees received payments amounting to $953,000 for 1948 as compared with $860,000 for 1947. These plans covered in 1948 a total of 952 key employees, none of whom received more than 1.4% of the total. No officer or employee of the parent company participated in these plans.

EMPLOYEES' SHARE PURCHASE PLAN

300,000 shares of the authorized and unissued common stock of the Corporation were reserved until May 15, 1954 for sale to officers and other key employees pursuant to the Employees' Share Purchase Plan approved by the stockholders in 1944. Under the plan, 28,340 shares have been issued to December 31, 1948 and the proceeds therefrom amounting to $638,027 have been credited to the common stock issued account. Of the balance of 271,660 shares of authorized and unissued common stock still reserved at December 31, 1948, privileges to purchase a total of 172,310 shares (72,000 shares at $21.75 per share, 45,410 shares at $26.00 per share and 54,900 shares at $42.25 per share) were held by 84 key employees at that time. The purchase privilege price in each case is equal to 105% of the average market price for the 30 days preceding the date of grant. In each case the total number of shares is purchasable in equal amounts in periodic installments of one year or less extending to May 15, 1954, and any shares not purchased on the applicable installment date may be purchased thereafter at any time on or before May 15, 1954. These privileges to purchase are non-assignable.

RETIREMENT ANNUITIES

Charges to costs and expenses in 1948 and 1947 with respect to future service retirement annuities amounted to approximately $824,000 and $722,000 respectively. The number of participants in the plan was 5,194 at December 31, 1948 and 4,296 at December 31, 1947.

ARTHUR ANDERSEN & CO.

67 WALL STREET
NEW YORK 5

To the Board of Directors and Stockholders of

National Dairy Products Corporation:

We have examined the consolidated balance sheet of National Dairy Products Corporation (a Delaware corporation) and domestic subsidiary companies as of December 31, 1948 and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the year 1947.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of National Dairy Products Corporation and domestic subsidiary companies consolidated as of December 31, 1948 and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

New York, N. Y.,
March 10, 1949.

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Condensed Ten-Year Statement of Consolidated Assets and Liabilities

(All amounts are expressed in thousands)

	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939
WORKING CAPITAL										
CURRENT ASSETS										
Cash and marketable securities	$ 45,690	$ 30,614	$ 26,862	$ 56,295	$ 45,346	$ 29,767	$ 17,028	$ 15,016	$ 16,916	$ 16,727
Notes & accounts receivable (net)	36,893	36,462	30,754	21,600	23,581	22,873	23,828	26,807	17,592	17,803
Inventories	89,712	86,168	86,766	46,463	44,872	52,252	50,410	55,338	33,798	32,113
Total Current Assets	$172,295	$153,244	$144,382	$124,358	$113,799	$104,892	$ 91,266	$ 97,161	$ 68,306	$ 66,643
CURRENT LIABILITIES										
Bank loans	$ 0	$ 7,500	$ 0	$ 0	$ 0	$ 0	$ 1,757	$ 13,475	$ 0	$ 0
Serial Debentures	0	0	0	0	1,500	1,500	1,500	1,500	1,500	0
Accounts payable and accruals	40,093	40,516	43,438	33,884	28,388	26,798	23,317	22,859	17,888	17,944
Provision for Federal income tax	16,200	15,000	20,500	28,425	33,080	29,000	18,500	9,676	4,580	3,299
Less—U. S. Treasury Notes	0	0	17,461	28,425	33,080	29,000	18,500	0	0	0
Total Current Liabilities	$ 56,293	$ 63,016	$ 46,477	$ 33,884	$ 29,888	$ 28,298	$ 26,574	$ 47,510	$ 23,968	$ 21,243
Working Capital	$116,002	$ 90,228	$ 97,905	$ 90,474	$ 83,911	$ 76,594	$ 64,692	$ 49,651	$ 44,338	$ 45,400
PROPERTY, PLANT AND EQUIPMENT (Net)	134,316	115,138	94,873	81,693	84,974	92,188	97,387	100,575	94,962	97,680
INVESTMENTS, OTHER ASSETS AND PREPAID ITEMS	11,031	8,561	8,482	7,999	9,240	8,818	9,883	11,394	12,530	7,022
Total	$261,349	$213,927	$201,260	$180,166	$178,125	$177,600	$171,962	$161,620	$151,830	$150,102
LONG-TERM DEBT	$ 81,500	$ 49,000	$ 49,500	$ 50,000	$ 51,700	$ 58,800	$ 64,416	$ 66,450	$ 68,500	$ 56,899
PREFERRED STOCK	0	0	0	0	0	0	0	0	0	9,871
MINORITY INTEREST	319	340	337	303	345	321	298	350	336	894
RESERVES	25,001	24,238	23,165	16,998	17,617	16,654	12,216	7,601	2,998	3,074
Total	$106,820	$ 73,578	$ 73,002	$ 67,301	$ 69,662	$ 75,775	$ 76,930	$ 74,401	$ 71,834	$ 70,738
Book Value of Common Stock	$154,529	$140,349	$128,258	$112,865	$108,463	$101,825	$ 95,032	$ 87,219	$ 79,996	$ 79,364

NOTE: *All foreign subsidiaries are excluded from the consolidated accounts beginning with the year 1940.*

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

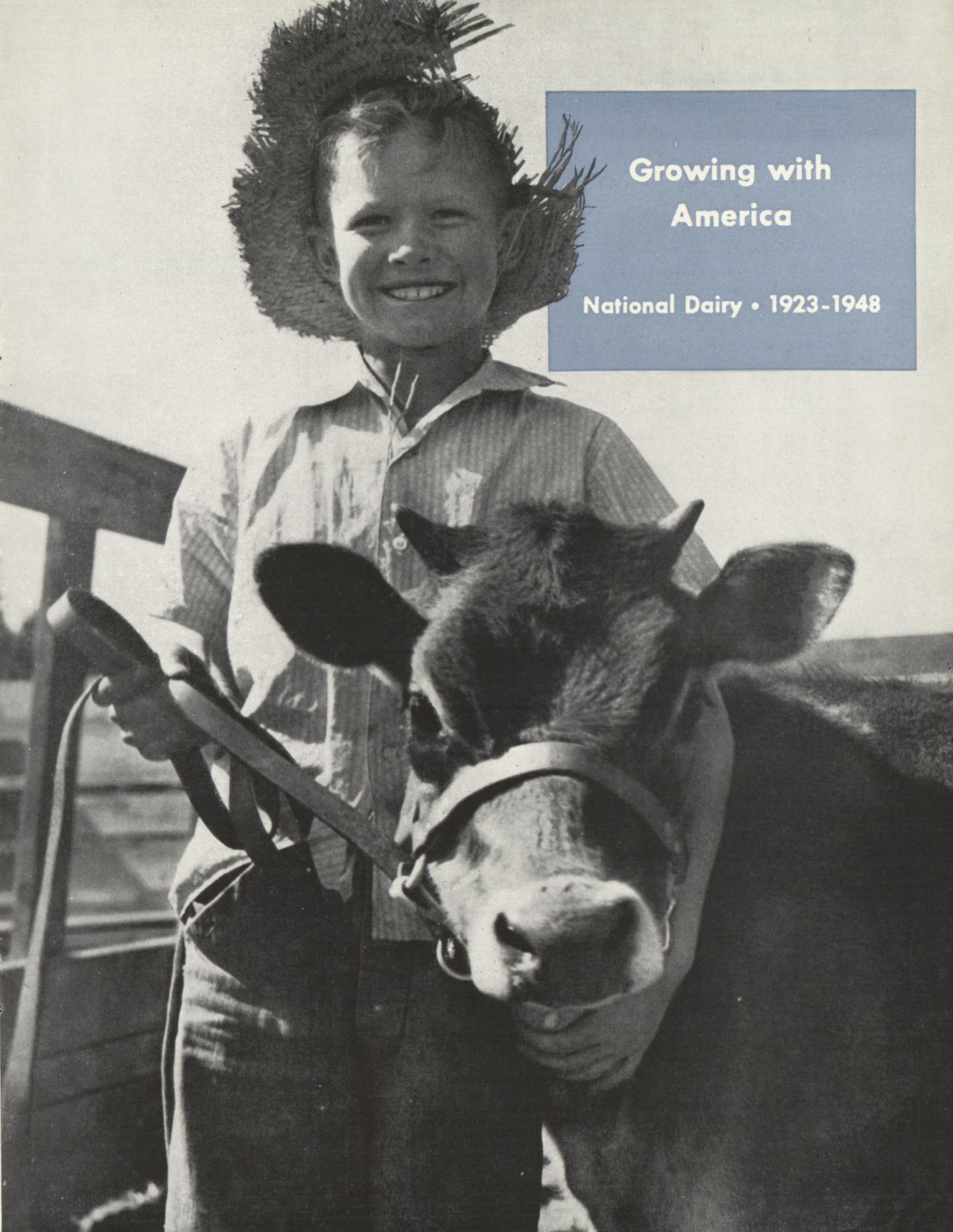
Condensed Ten-Year Statement of Consolidated Profit and Loss

(All amounts are expressed in thousands, except per share and other statistics)

	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939
INCOME:										
Net sales	$986,404	$897,324	$742,409	$632,769	$593,853	$580,173	$562,451	$431,049	$347,410	$336,694
Other income	2,465	2,438	2,023	2,424	1,718	1,311	1,306	1,249	935	1,026
Total income	$988,869	$899,762	$744,432	$635,193	$595,571	$581,484	$563,757	$432,298	$348,345	$337,720
INCOME DEDUCTIONS:										
Cost of products	$779,298	$708,069	$563,754	$476,066	$441,609	$436,739	$425,808	$310,274	$239,090	$225,838
Delivery expense	94,001	87,526	75,217	63,704	58,466	56,991	57,111	53,321	52,189	52,857
Selling expense	46,549	40,908	32,104	26,801	24,175	22,786	26,430	26,598	25,922	26,159
General and administrative expense	26,373	23,464	20,794	18,750	18,893	16,931	15,822	14,151	12,918	13,620
Miscellaneous	767	278	236	5,664	4,311	1,567	2,008	1,091	965	1,181
Interest on long-term debt	1,857	1,358	1,383	1,669	1,799	1,921	1,956	1,978	2,104	2,238
Provision for Federal income tax	16,200	15,000	20,500	28,425	33,000	29,000	18,500	8,950	4,063	2,793
Appropriated to reserve for possible future inventory price declines and other contingencies	0	0	5,000	0	0	2,500	3,900	3,600	0	0
Total income deductions	$963,511	$876,603	$718,988	$621,079	$582,253	$568,435	$551,535	$419,963	$337,251	$324,686
Amount to earned surplus	$ 25,358	$ 23,159	$ 25,444	$ 14,114	$ 13,318	$ 13,049	$ 12,222	$ 12,335	$ 11,094	$ 13,034
PAYMENTS:										
Dividends	$ 11,306	$ 11,295	$ 10,334	$ 8,757	$ 6,881	$ 6,255	$ 5,004	$ 5,004	$ 5,695*	$ 5,695*
Payroll	152,574	141,372	122,408	102,532	94,648	88,632	83,136	72,992	68,098	66,328
Taxes	23,824	21,963	26,723	34,651	40,644	36,099	25,453	15,696	9,984	8,473
PER SHARE OF COMMON STOCK:										
Earnings	$ 4.03	$ 3.68	$ 4.05	$ 2.25	$ 2.12	$ 2.08	$ 1.95	$ 1.97	$ 1.66	$ 1.97
Dividends	1.80	1.80	1.65	1.40	1.10	1.00	.80	.80	.80	.80
Taxes	3.79	3.50	4.26	5.54	6.50	5.77	4.07	2.51	1.60	1.35
OTHER STATISTICS:										
Number of—										
Common Stockholders	67,656	67,256	67,308	67,347	66,636	66,889	68,798	68,820	69,264	70,078
Employees	44,702	44,785	41,799	37,933	36,698	36,281	38,126	36,697	35,565	36,543

NOTES: *All foreign subsidiaries are excluded from the consolidated accounts beginning with the year 1940.*
**Includes $691 of preferred stock dividends.*

Photo, courtesy of U. S. Department of Agriculture →



Growing with America

National Dairy • 1923-1948

Our Growing Market

WHOLESALE
CHEESE
J. L. KRAFT

J. L. Kraft, his horse "Paddy" and the wagon from which he first sold cheese in Chicago in 1904. With today's rapid transport, the products of our cheese divisions roll along the nation's highways in trailer trucks such as those shown below.

In the 25 years since National Dairy was founded, it has grown steadily with the size and wants of the public it serves. The history of progressive food processing and distribution which we inherited from our member companies goes back even further—in some cases more than 100 years.

In the last quarter-century, higher birth rates, longer life and better standards of living have combined to increase sharply the public demand for dairy products and the many other kinds of foods we make.

Today, more people have more money to buy foods that fulfill diet needs. They expect and get better and healthier foods. For everyone now recognizes the vital health values of correct diet. Nutritional research—in which National Dairy and its associated companies are recognized leaders—has added greatly to what people know about the right food and to the amount of it they eat.

In addition, our Company supports and takes an active part in The Nutrition Foundation, which provides grants to universities and medical centers to finance fundamental research in the science of nutrition.

In recent times, still other factors have stimulated the need for our products. Large military purchases during the war established milk products as staples in the diets of millions of service men and women. They returned to make homes and to influence the diet habits of a new and increasing generation of consumers. The average person's use of milk, cream and cheese has increased about 16 per cent in the last decade, and the consumption of ice cream has doubled. The average family today spends more than 15 per cent of its food budget for dairy products.

THE FOUNDING OF OUR COMPANY

Thos. H. McInnerney, the founder of National Dairy, foresaw the need of an expanding country for improvements in food processing and distribution.

KRAFT
KRAFT

As more people bought more dairy foods, new facilities, new products and new skills were needed to fill wider demands. Our business was thus gradually diversified over the years, until today it goes far beyond the processing of milk and milk products. We now have a diversified list of 152 products.

Since National Dairy's organization, its companies have written many chapters in the history of the modern food industry. The real story of the Company is the combined history of these companies which for generations have served their customers so well. The consumer confidence our associated companies enjoy, and their position in the industry are due to the acceptable service they render in the communities they serve.

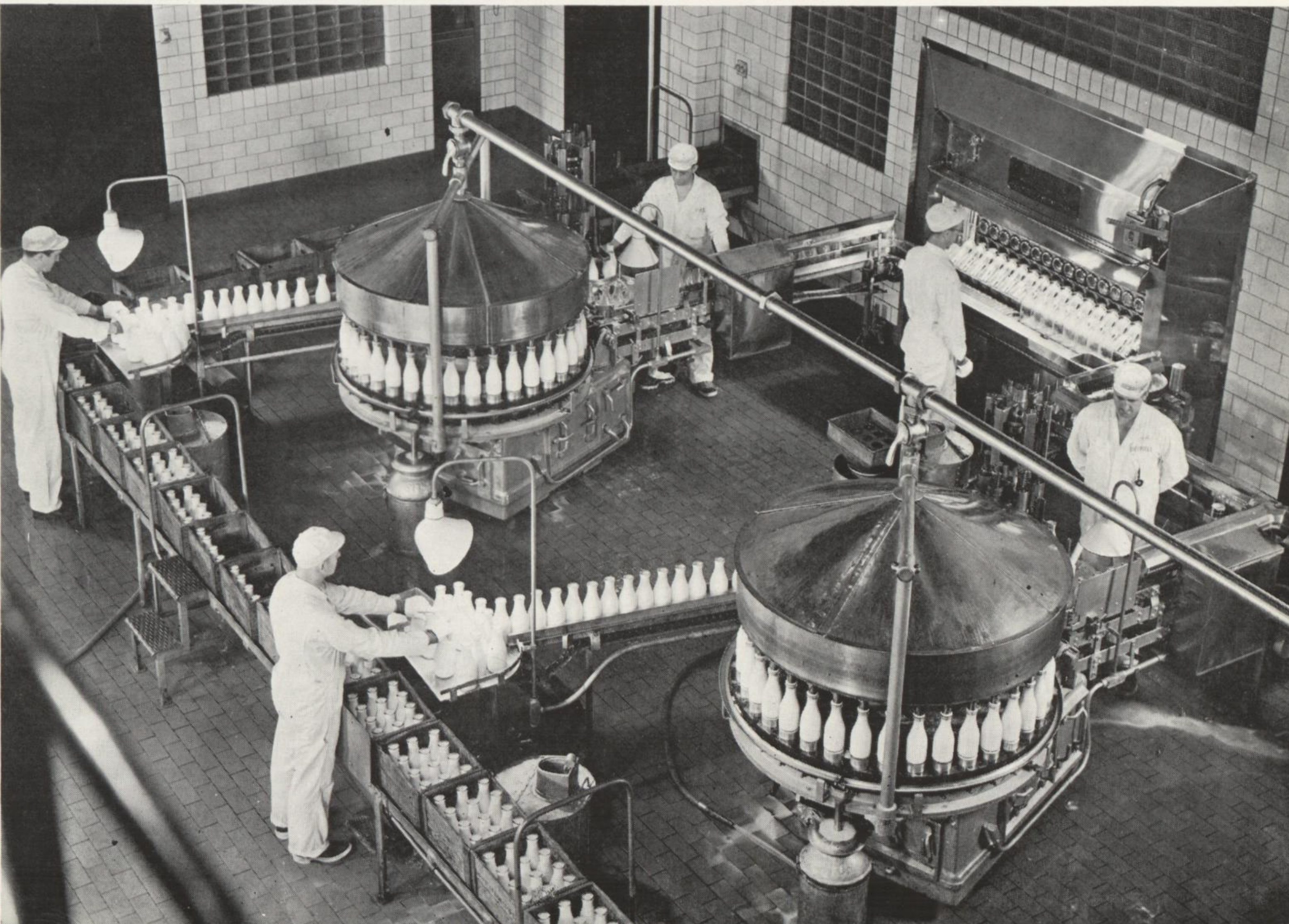
The companies associated with National Dairy operate under their own local managers who are long-time residents and active in the communities which are served by these companies.

OUR MANAGEMENT TEAM

The combined management of our companies makes up our team. Through joint action, we plan and carry out operations to meet urgent public needs. In their frequent exchange of experience our executives also help each other. This insures stability and progress. We have pioneered in sanitation and rigid protection of our products. We have worked together to develop modern research, production and distribution methods, and to promote added consumer recognition.

We have developed new products and improved old ones. Our policy of diversification, in operations and in products, provides benefits to the public and new opportunities for business and employment.

In this milk plant operation, sterilized bottles are fed into rotating machines which fill 132 bottles a minute and seal them with dated caps. After careful inspection, bottles are carried on conveyors to waiting trucks.



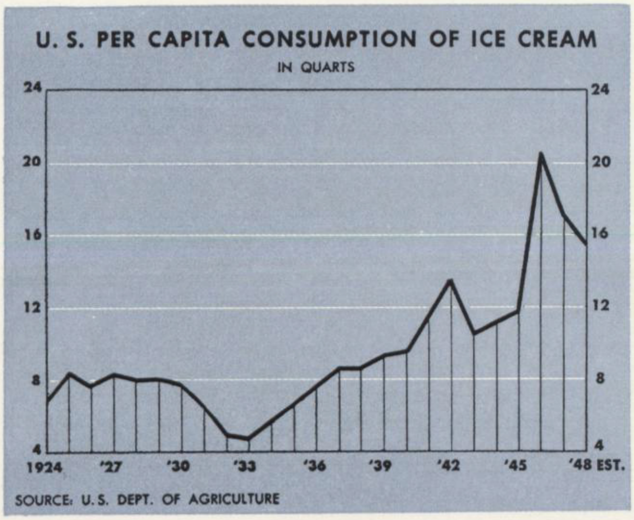
OUR MILK PRODUCTS

The great human need for dairy products is the keystone of our operation. Milk is an important source of the vital elements of diet. It contains high percentages of essential Calcium, Riboflavin (Vitamin G), Phosphorous, Protein, Vitamin A, Niacin, Vitamin B_1, Iron and Vitamin C.

These elements are carefully preserved in the making of other products derived from milk. A typical American cheddar cheese, for example, contains about 25 per cent protein, 31 per cent milk fat and up to 10 per cent of milk minerals and milk sugar.

MEETING THE ICE CREAM DEMAND

By achieving uniform, higher quality, wide availability and convenient packaging, our ice cream companies have popularized this basic item in many forms at fountains and on the nation's tables.



SOURCE: U. S. DEPT. OF AGRICULTURE

In a temperature of 35 degrees below zero, workers in Arctic suits handle ice cream brought by conveyors to these refrigerated rooms for temporary storage.

All ice cream sales in the United States in 1948, while about 9 per cent under the peak of 709,000,000 gallons in 1946, were still more than twice as great as the average of 10 years ago. Our own sales have stayed near the top level. Increasing recognition of ice cream as a food assures its place in the larger markets for dairy products.

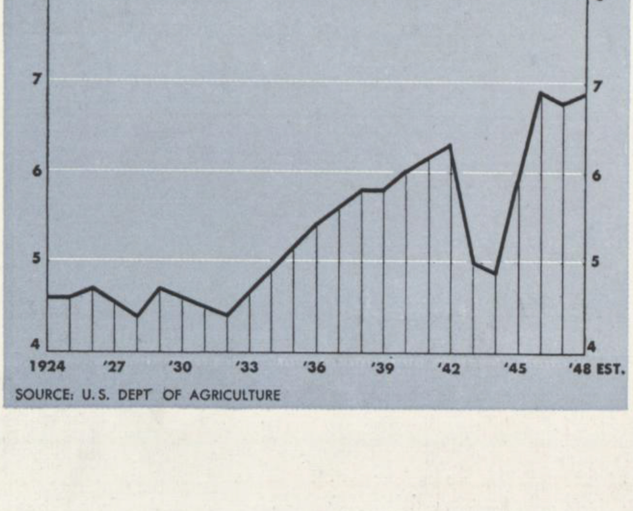
CHEESE SHOWS WIDE GAINS

Adding to nutrition the appeals of new, appetizing varieties, our cheese divisions have gained broadly over the years in consumer acceptance.

Cheese production in this country in 1948 was the highest on record. Each man, woman and child consumed an average of nearly seven pounds. The use of cheese has increased greatly within the last 25 years. In 1923, the average American consumed only about four and one-half pounds.

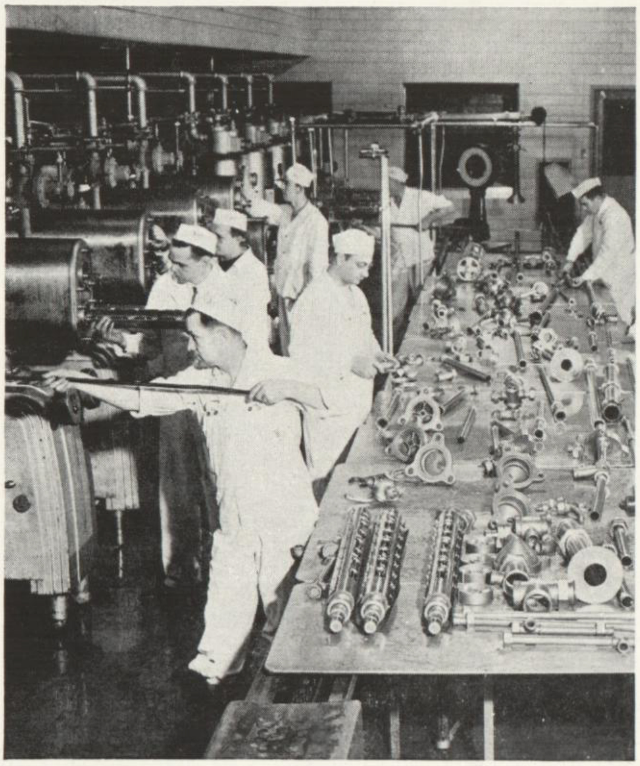
Our Kraft Foods division has grown to leadership in processed cheese and in the manufacture of natural cheeses. Its distribution units and warehouses are found today in every State. Developed by long years of expert pasteurization and blending, Kraft's line today includes some 90 products for consumers and 42 for industrial users.

When material shortages eased, Kraft immediately turned to post-war expansion of production. In 1948 this program reached a peak. Today, the division is embarked on a campaign to help the nation meet the need for high-quality, low-cost protein food.


U. S. PER CAPITA CONSUMPTION OF CHEESE

IN POUNDS

SOURCE: U. S. DEPT OF AGRICULTURE


Sanitation crew at work in one of our ice cream plants. After each day's production, every pipe, valve and tank is dismantled, scoured and sterilized. Equipment is then reassembled and the entire system is further sterilized.

Our industry also has expanded its operations in the new field of agricultural chemistry. Research work in the derivatives of milk has developed a number of specialized products important to medicine and human life. From protein in milk are derived amino acid mixtures used for intravenous feeding and to produce antitoxins and serums. Digested milk proteins are used to grow bacteria in laboratories and to promote culture of the organism producing streptomycin and penicillin.

Sodium lactate is valuable as a blending agent in sulfa drug preparations. From milk and whey comes calcium lactate used for calcium deficiencies. The need of new mothers for an all-purpose, easily prepared baby food led our scientists to study the problem. The result was our product Formulac, which contains all the vitamins and minerals known to be needed for the baby's growth and health. Milk sugar also is used in special diet foods for adults and in pharmacy for coating pills. The milk protein lactalbumin yields other products important in nutrition.

After its manufacture, our ice cream is conveyed to these automatic packaging lines. Using specially-built equipment, girls seal and turn out large quantities of the pure product in sanitary containers. Above they are filling and packing pints.

Below: American cheddar cheeses in one of our modern curing rooms. After being pressed and packed, cheddar cheese is held for long periods in these rooms where temperature and humidity are scientifically controlled. Curing produces the sharp, rich flavor and smooth texture in cheddar.

OUR INDUSTRIAL PRODUCTS

National Dairy's operations also include the manufacture of many products for industrial use. These commodities are made primarily from skim milk and from whey, which is the remaining product after cheese is made. Casein from milk has wide and diversified values in industry. Its major uses are in the production of coated paper and adhesives. Casein also is utilized in the manufacture of paint, insecticides, leather and linoleum.

Dried whey is widely employed in the manufacture of such foods as creamed soups, gravies, sausages and candies. Besides taste, whey reinforces many foods with milk nutrients.

The use of milk powders and milk solids generally in the baking fields has shown rapid increases in recent years. Our companies have designed special processes for pasteurizing and drying milk and whey to meet the needs of baking, confectionery and other industries. Dried whey, dried milk, and dried buttermilk are also made into animal and poultry feed supplements in great demand by farmers.

Through the union of practical research and production, our operations have been extended into the making of a wide list of other consumer products. These include such things as salad dressings, margarine, mustards, caramels, and meat products. Most of these products are related in process and manufacture to our other foods.

CONTROL PROGRAM FOR QUALITY

Laboratory tests for food value, purity and taste are conducted continually at all our plants. Our quality control activities are promoted vigorously to make products look good, taste good and conform to the highest standards of food content.

Model kitchens and consumer food services are conducted by our companies throughout the country. Staffed by trained dietitians and home economists, our model kitchens originate new dishes and distribute recipes for home use. Taste panels are operated by several of our laboratories and test kitchens. Dietitians also work on basic food literature, cooperate with schools, churches, women's groups and other consumer organizations, show films, give lectures, and otherwise help in the effort to disseminate information on nutrition.

A typical scene in one of our many plant laboratories where technicians continuously check dairy foods to maintain rigid standards of uniformity in nutrition, taste and texture. This scene is from the General Ice Cream laboratory at Schenectady, New York.

Home economists inform our production departments on consumer interests in food health and on taste habits. They collaborate with public agencies, universities and other groups concerned with public health and food economy.

EXPANSION IN PRODUCTION

In manufacturing techniques, the Company has sought to maintain the highest standards of supervision and efficiency. All equipment is precision-made, some of it in our own machine shops to specifications drawn by company engineers.

Our divisions also work intensively to streamline production methods. New devices, such as packaging equipment and mixing vats for cheese spreads, have been originated and installed. Mass production methods are devised to turn out finished products in volume under high quality control. Training programs are operated to improve the skills and efficiency of our workers.

Meantime, new packaging and containers are constantly designed to increase efficiency of manufacture and consumer appeal. This entire program demands intense research, as well as integration with production and sales.

MORE EFFICIENT DISTRIBUTION

Traffic and distribution must likewise be planned from raw materials to finished products. To this end, we seek throughout to improve our system of receiving stations, and plant and warehouse locations. The current "branch house" program of Kraft, to locate modern warehouses near key markets, illustrates this effort. Engineers are ever at work to increase efficiency in transportation.

AID TO SMALL BUSINESSES

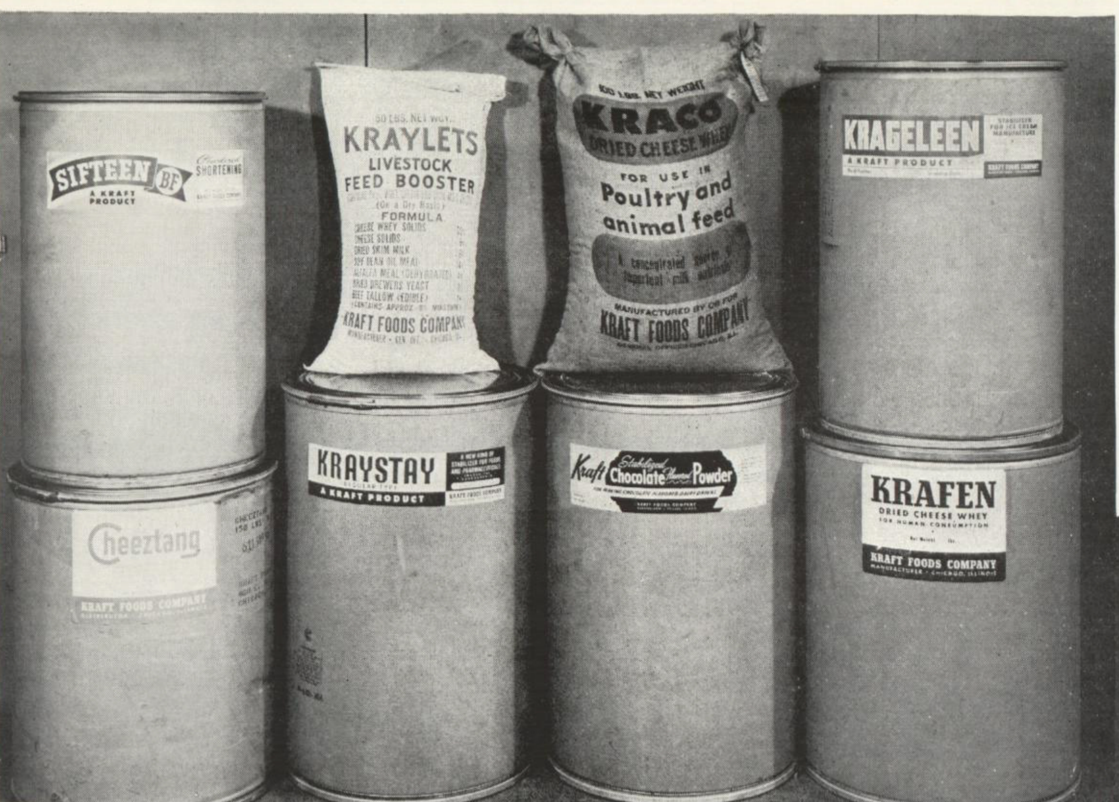
Toward the solution of distribution generally and as part of our business philosophy, the Company helps and encourages small business enterprises. This begins with aid to the thousands of farms, source of our milk supply, whose operators are small businessmen. At the other end, we help retailers improve facilities and methods to encourage sales and increase business.

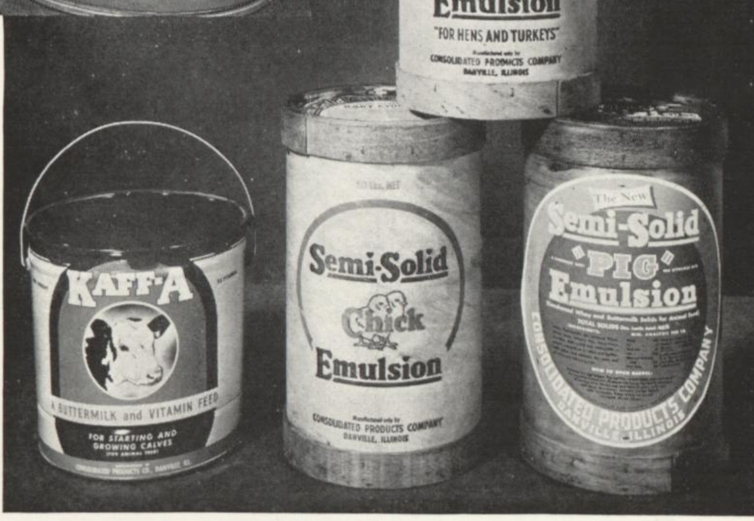
Our distributorship program is based on over five years of successful experience—chiefly in the Mid-West—in helping ambitious men establish small businesses to distribute Sealtest milk and other dairy products.

The plan extends to recommendations for the operation of dairy products stores by the distributor and his family. We believe that the biggest businesses are made up of many small businesses—and that this type of interrelation in an industry is what makes American productivity possible.

SHEFFIELD
Sealtest
MILK
EXTRA CARE FOR EXTRA GOODNESS
524 W 57TH ST. NEW YORK

Re-enactment showing the progress in milk distribution. Below: this type of horse-drawn "trap" was used by our original Sheffield Farms Company 107 years ago. Its modern counterpart is shown in the photograph above.


SIFTEEN BF
SHORTENING
A KRAFT PRODUCT
KRAYLETS
LIVESTOCK FEED BOOSTER
KRAFT FOODS COMPANY
KRACO
DRIED CHEESE WHEY
FOR USE IN Poultry and animal feed
KRAFT FOODS COMPANY
KRAGELEEN
A KRAFT PRODUCT
Cheeztang
KRAFT FOODS COMPANY
KRAYSTAY
A KRAFT PRODUCT
Kraft Stabilized Chocolate Flavored Powder
KRAFEN
DRIED CHEESE WHEY
FOR HUMAN CONSUMPTION
KRAFT FOODS COMPANY


THE NEW
Semi-Solid
E
Emulsion
"FOR HENS AND TURKEYS"
CONSOLIDATED PRODUCTS COMPANY
DANVILLE, ILLINOIS
KAFF-A
A BUTTERMILK and VITAMIN FEED
FOR STARTING AND GROWING CALVES
Semi-Solid
Chick
Emulsion
CONSOLIDATED PRODUCTS COMPANY
DANVILLE, ILLINOIS
The New
Semi-Solid
"PIG"
Emulsion
CONSOLIDATED PRODUCTS COMPANY
DANVILLE, ILLINOIS

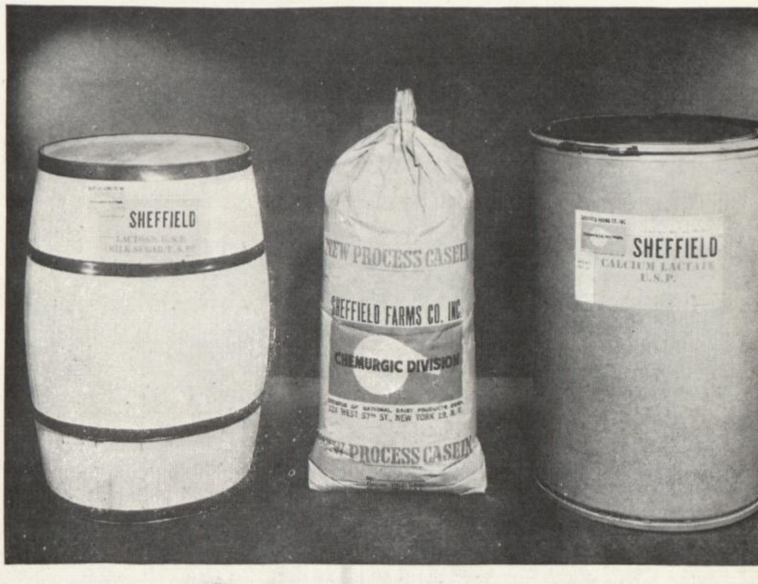
Industrial Uses
of Dairy Products

At one time, skim milk and the whey left from cheese-making were fed to pigs as waste. Through research, we have developed many uses for these materials in foods, industrial products and pharmaceutical preparations.

Some of these materials we manufacture ourselves into finished products for the consumer. Others are sold to industries for use in the manufacture of their own products.

Among the many uses for the derivatives of skim milk and whey are:

- Animal and Poultry Feeds
- Bakery Products
- Calcium Tablets
- Candy
- Coated Papers
- Cosmetics
- Custards
- Electro-plating
- Flavor Extracts
- Glue
- Icings
- Insecticides
- Jellies and Jams
- Leather Tanning
- Malted Drinks
- Paint
- Preservatives
- Sherbets
- Solvents
- Soups
- Syrups
- Textile Dyes
- Vinegar
- Waffle and Pancake Flour
- Yeast


SHEFFIELD
LACTOSE U.S.P.
MILK SUGAR U.S.P.
NEW PROCESS CASEIN
SHEFFIELD FARMS CO. INC.
CHEMURGIC DIVISION
NEW PROCESS CASEIN
SHEFFIELD
CALCIUM LACTATE
U.S.P.

National Dairy and the Farmer

Local managers of National Dairy companies buy milk from the farmers near the areas where we serve our consumers. We also make large purchases of fruits, vegetable oils, vinegar, eggs and many other kinds of farm produce. But our interests with the farmer are linked even more closely by our common effort to meet the great and increasing consumer demand for dairy food products.

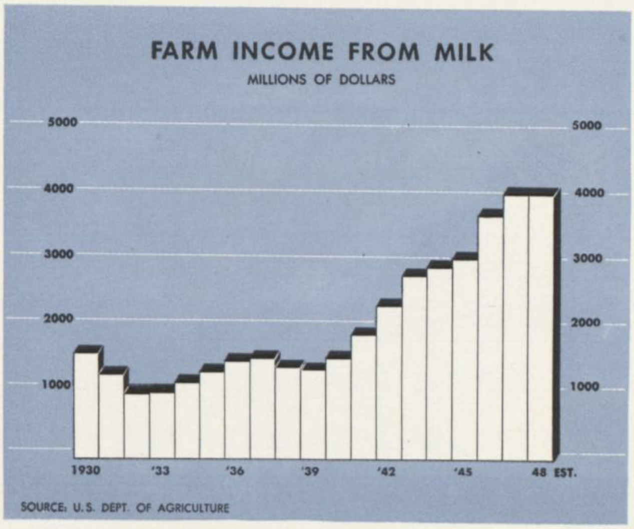
Dairy farmers supply more than one-fourth of all the food people eat. And the dairy industry provides American farmers as a whole with their largest single source of cash income. It is more than either grains, cattle or hogs, and nearly double the income from poultry and eggs.

Cash farm income today from dairy products is estimated at $4,000,000,000 a year, or nearly one-sixth of

A National Dairy field man lecturing to former servicemen on pasture improvements. This is a typical scene in many states as we cooperate in the effort to help ex-G.I.'s and other young people learn the art of dairy farming.

the total farm income. Three out of every four farmers in this country produce some milk. And one out of ten specializes in dairying.

In the last ten years our farmers have made great strides in efficiency and in the amount of milk produced. But still more economical methods are needed to meet rising demands for dairy products and keep the price within the consumer's reach. Long experience in cooperation with farmers has prepared National Dairy companies to help meet this challenge.



SOURCE: U.S. DEPT. OF AGRICULTURE

OUR WORK IN THE FIELD

Every day our field men are in the milk barns, at the silos and in the pastures with farmers. Our field teams include trained veterinarians, dairymen and other farm specialists.

To maintain a steady supply of good quality milk, they help the farmer in inspections for purity control and sanitation. They promote the clean handling and health of cattle. They support the broad program for artificial breeding to increase the productive capacity of dairy cows. They assist all movements to produce better herds yielding better milk.

Our field men work with the farmer on scientific feeding, including such things as pasture improvement, grasslands farming, crop rotation and silage.

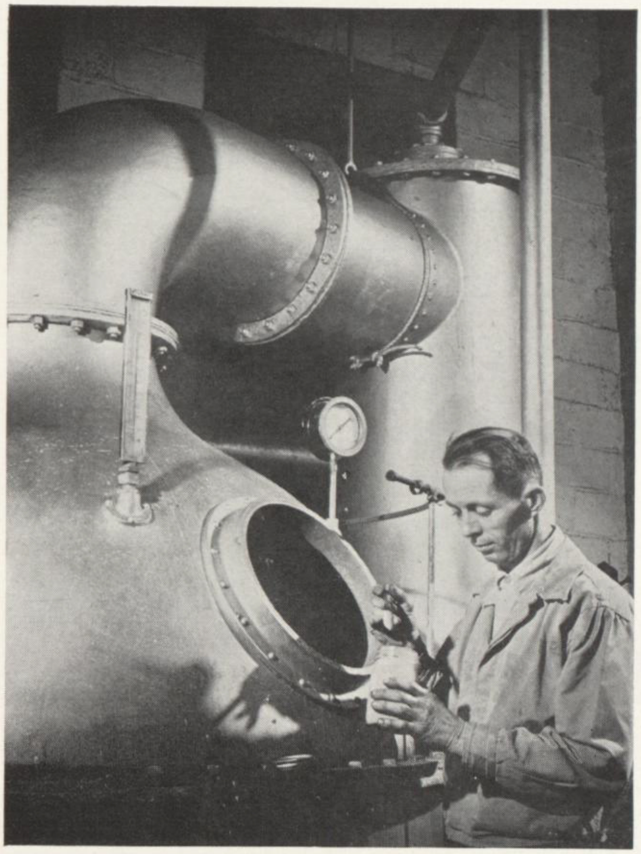
Producers are aided in farm management and in planning their buildings, while new ideas in farm economy and operation are also presented.

In addition to this personal service, entire communities have been assisted in building up local dairy enterprises. Thus large areas have been brought into dairying through these joint efforts.

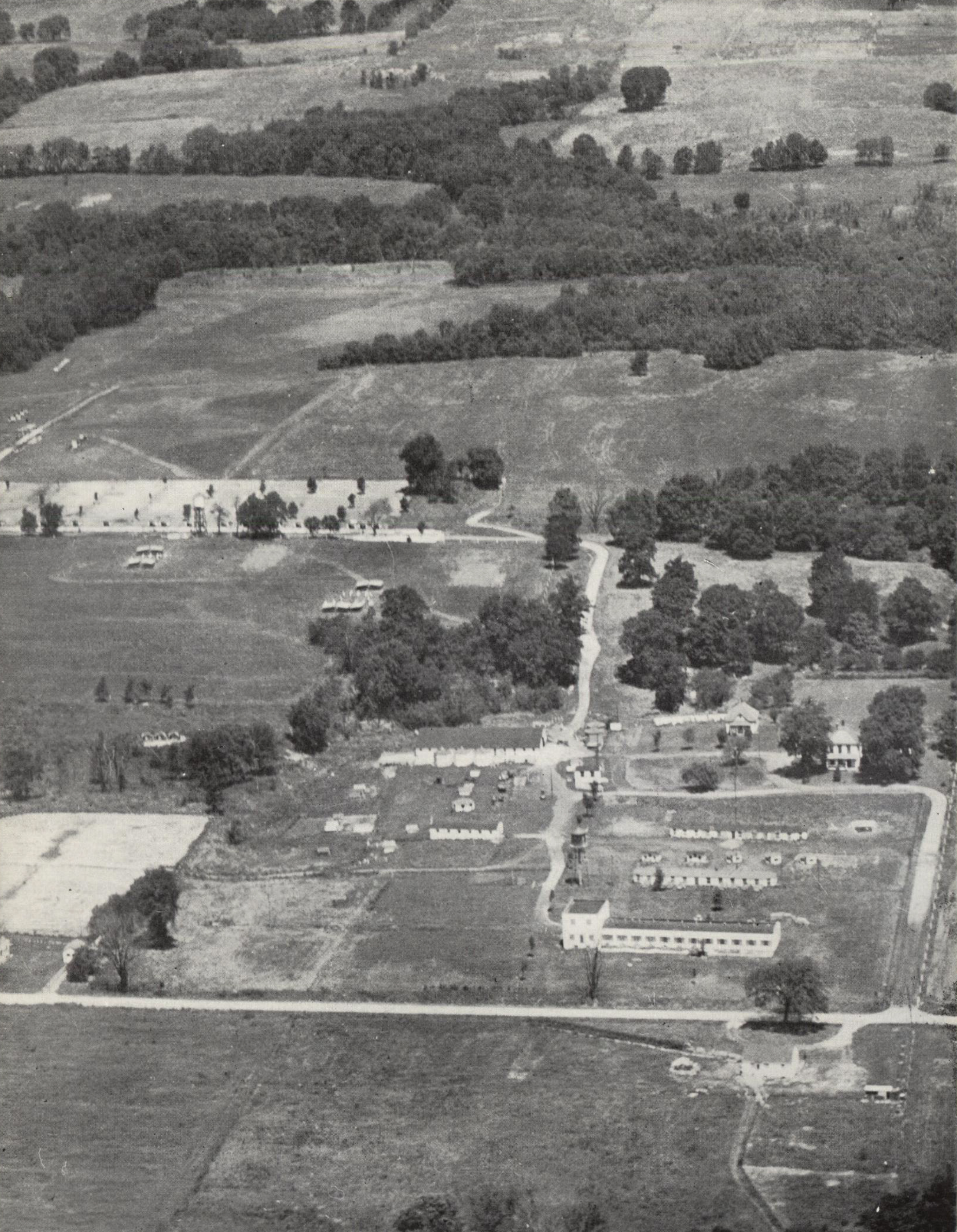
AIDS IN DEMONSTRATION FARMING

We also give leadership to demonstration farming to improve methods in dairy agriculture. Needs of local communities and plants are considered in these combined programs.

Our experimental farm operated by Consolidated Products Company near Danville, Illinois, combines two functions. It is a practical model farm, operated at a profit, where producers come to gain new ideas on raising more and better calves, hogs and poultry. It also tests methods and creates new emulsion feeds for animals and poultry. Two improved products, for feeding chicks and brood sows, resulted from this work during the past year.



Checking Semi-solid Chick Emulsion in the vacuum pan where it is condensed and blended. Research was completed in 1948 on an improved product for feeding broilers.



The pilot and experimental farms illustrate our efforts to provide both products and services to help the farmer produce more economically.

WORK WITH FARM GROUPS

Besides field work, our local managers use every method to exchange new information on farm progress with producers. They cooperate with Dairy Herd Improvement work and with the activity of the cattle and breeder organizations. Our technical men work with them, as well as with agricultural colleges, farm experiment stations and the U. S. Department of Agriculture.

Films produced by National Dairy are booked for frequent showings before farm families. Helpful publications are circulated regularly to our producers.

FARMERS OF TOMORROW

We believe it is essential to encourage and help young men and women make farm homes and become good farmers. Increased use of milk makes efficient dairy farming imperative. We support actively the movement to make farm life interesting, attractive and profitable to young people.

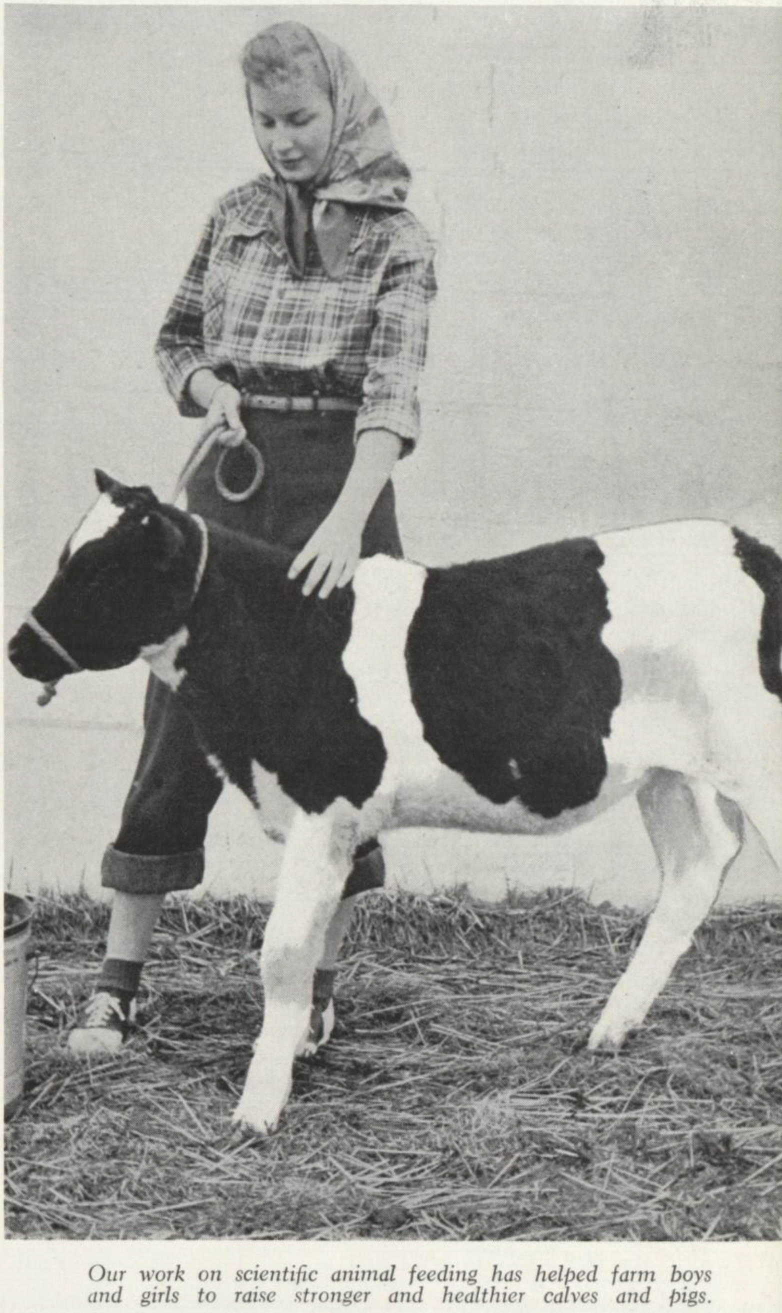
To this end, the work of National Dairy companies with young farmers has expanded widely over the years. We cooperate with the 4-H Clubs, the Future Farmers of America, the high schools and with the fathers and mothers who want their children to get a start in farming careers.

Our local National Dairy groups work with farm youths in various ways. In 1948 alone, contests were sponsored in 28 states. Awards were given boys and girls for high scores in dairy products, cattle raising, care and handling of milk and for many other projects promoting efficient dairy production. Cash prizes, scholarships, free trips to dairy meetings, plaques and other awards were made. Dairy days and open houses were arranged for these young people at our plants.

During 1948 we established a new youth group called Junior Dairymen. Integrated with 4-H Club and Future Farmers activity, this new effort was tried out with success by Kraft field men in two states during the year. Under this plan for redirecting the work with farm youth, boys and girls are assisted in obtaining cattle, and to earn money at once by producing for the plant in their vicinity.

Our producer activities are part of a continuing effort in cooperation with the U. S. Department of Agriculture, farm organizations, county agents and agricultural schools. This work is showing results in better milk production and farm efficiency. As a result of this work, the future promises greater benefits to the farmer, the consumer and to the industry.

←Left: Aerial view of our 170 acre experimental farm near Danville, Ill. On this model farm, research is conducted in the use of animal and poultry feeds by our Consolidated Products Company.



Our work on scientific animal feeding has helped farm boys and girls to raise stronger and healthier calves and pigs.

Our Employees

In 1948, we had an average of 44,702 employees who were paid a total of $152,574,000, a new high in our history.

This compares with 35,911 employees who were paid $64,996,000 in 1938.

We believe in the right of employees to good wages, safe, pleasant surroundings and opportunities for advancement. We believe, too, in security of job for our workers in offices and plants.

Our National Dairy companies have a reputation in their communities as "good companies to work for." A friendly relation between our managers and employees has a major influence on the prevailing spirit of mutual respect and understanding, and is responsible for our efficient service.

LONG SERVICE OF OUR WORKERS

Employees have steady work at good pay. This is shown by the large number of men and women who have been working with us for long periods of time. Of our 44,702 employees, 7,700 have been with us for ten to twenty years; 5,400 from twenty to thirty years; and 800 for thirty years and more.

We believe, too, in advancing our employees. Practically everyone of our present management team came up from the ranks after having started at the bottom.

Employee participation likewise is encouraged in production developments. This program is sponsored through suggestion awards and other projects in individual operating companies.

OUR WORKERS' SECURITY

Many other steps are taken by our companies to insure the worker's security, dignity and well-being. Work hours are kept to regular schedule; vacations are given; credit unions have been established; employee cafeterias are maintained; recreation activities are sponsored; training programs are carried out; and health and safety are protected through physical examinations, first-aid facilities, sick leave and safety programs.

For eighteen years, we have afforded our employees a broad protection providing them insurance at low rates on life, and against accident and sickness. This is a voluntary system, and 32,000 of our workers have subscribed for these benefits. Up to the present time, a total of about $10,000,000 in accident, sickness and death

Typifying the long service records of our many employees, these men at Roszell's, in Peoria, Ill. are celebrating a new record made by their 25-Year Club. Twenty-seven employees have served a combined total of more than 800 years.

benefits has been paid to employees and their families.

In 1948, our workers carried an aggregate of $80,500,000 in life insurance and $660,000 of weekly coverage for accident and health insurance, a gain of $27,000,000 in life insurance and $270,000 in weekly accident and health coverage for the ten-year period since 1938.

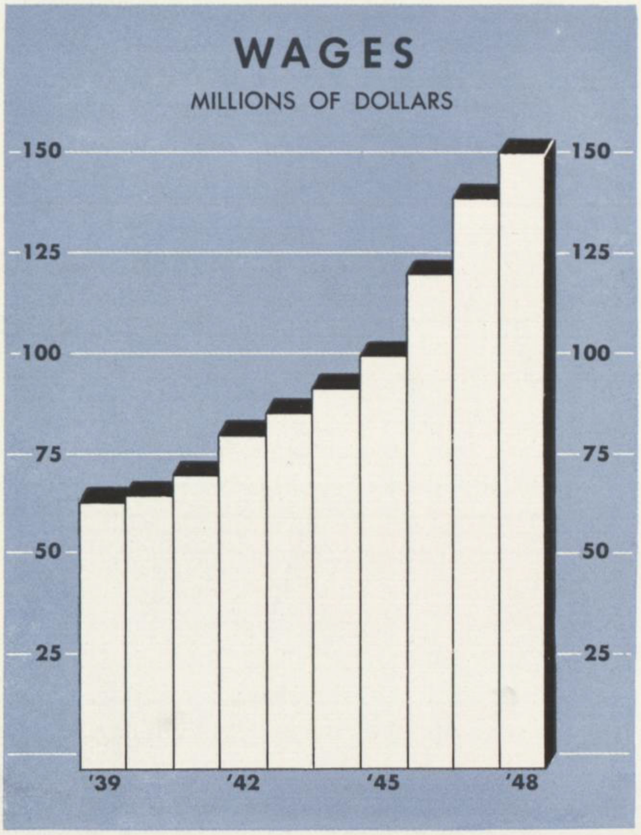
Our safety programs, begun in 1930, have contributed greatly to protection of employees through reduction in accidents. Our 1948 safety record was the best we ever made. Our frequency rate for accidental injuries was 22 per cent better than the 1948 national rate for the dairy industry as a whole; and our frequency rate for traffic accidents was 33 per cent better.

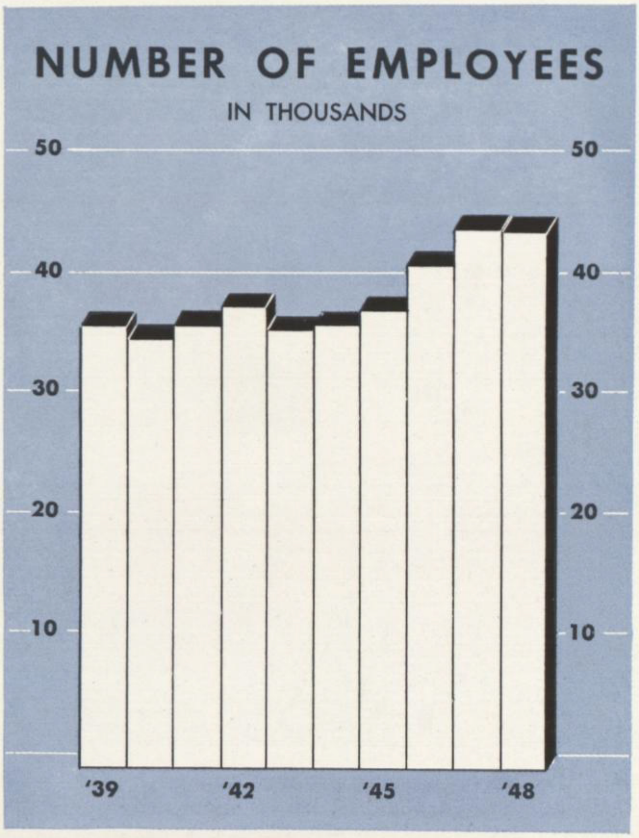
Designed to fit the specific needs of individual companies, safety has been promoted through campaigns, awards and education. Accidental injuries have been decreased by 52 per cent; and traffic accidents by 54 per cent, in the eighteen years that the safety program has been in operation.

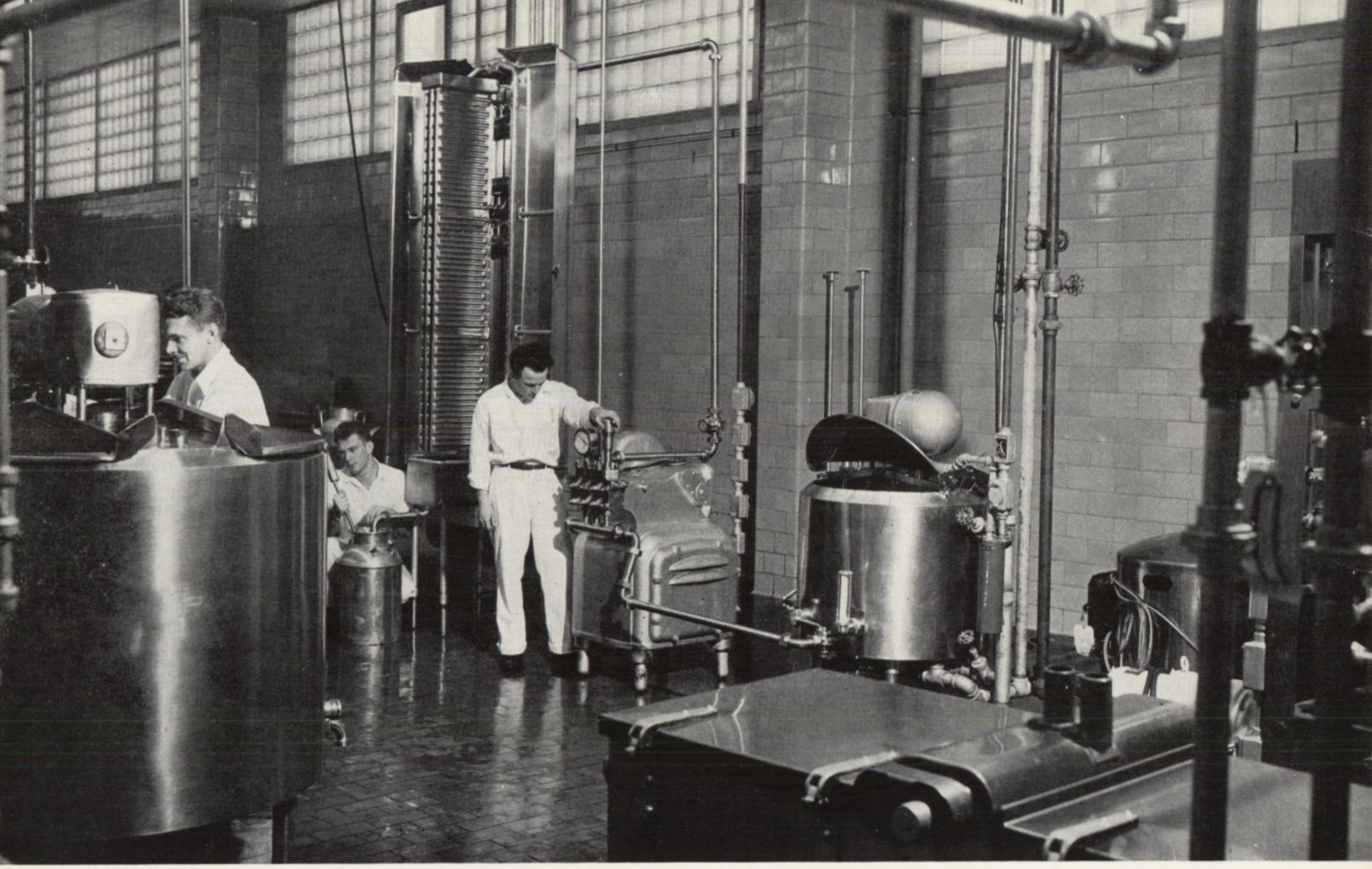
Our success results largely from the ability, effort and teamwork of the men and women of National Dairy. We can all take pride in a job well done.

Southern
Dairies
Sealtest

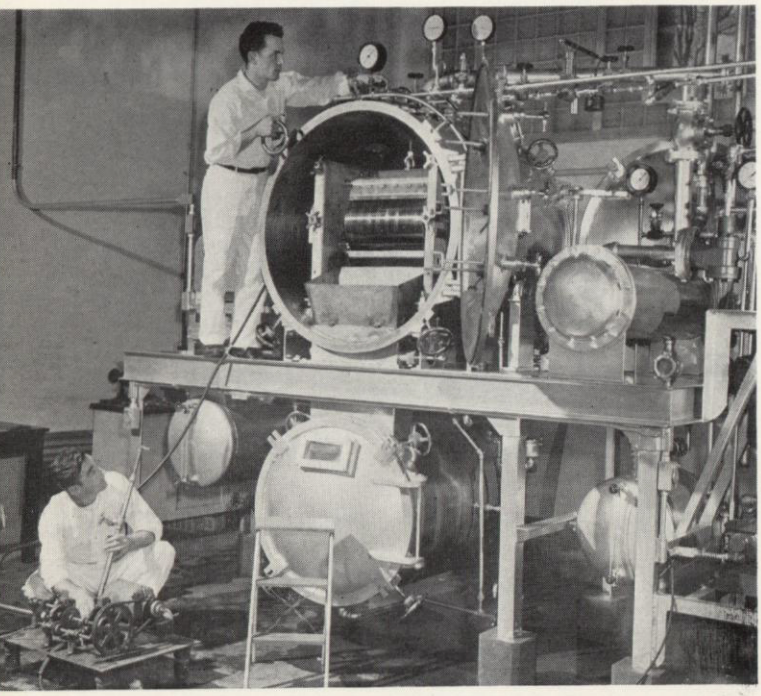
Scenes like this are duplicated by many National Dairy companies as we achieved our best accident prevention record in 1948. Officials of Southern Dairies' Jacksonville plant are shown receiving a National Safety Council Fleet award.







New dairy pilot plant at Oakdale. The picture shows technicians working at a pasteurizer, homogenizer and milk cooling system.



Installing a modern vacuum drum drier in our dairy technology laboratory, where tests will be run on dried milk products under ideal operating conditions.

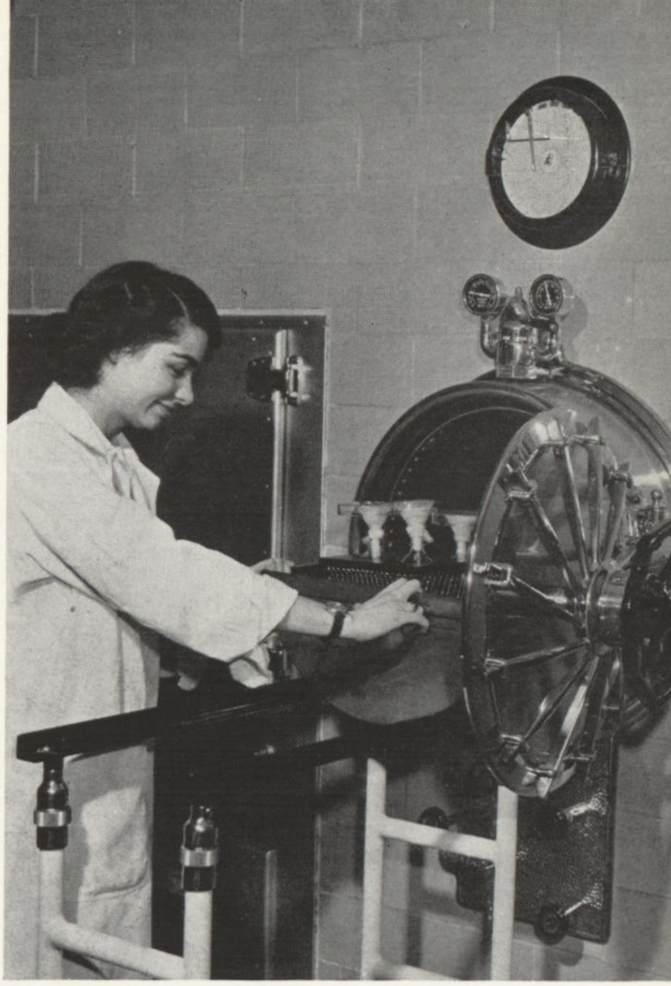
Research and

National Dairy companies for years have pioneered in practical dairy research. Our scientists work closely with management to improve manufacturing processes and discover new uses for dairy products.

Continuous research helps develop more efficient methods of handling products and additional ways to utilize by-products. Scientific studies in breeding and feeding aid dairy farming. Consumers get new and improved products and more nourishing and tastier dairy foods through constant laboratory experiment.

In 1948, we completed our central laboratory at Oakdale, N. Y. Today, scientists and technicians are at

Mixing milk powder into dough in a kneading machine at the model bakery in our Oakdale, L. I. laboratories. Dried milk powders arrive here regularly from many of our companies for scientific tests by master bakers.



An important activity in our bacteriology laboratories is steam sterilizing. Here a technician places equipment and culture media into an "autoclave," for sterilization under carefully-controlled conditions.

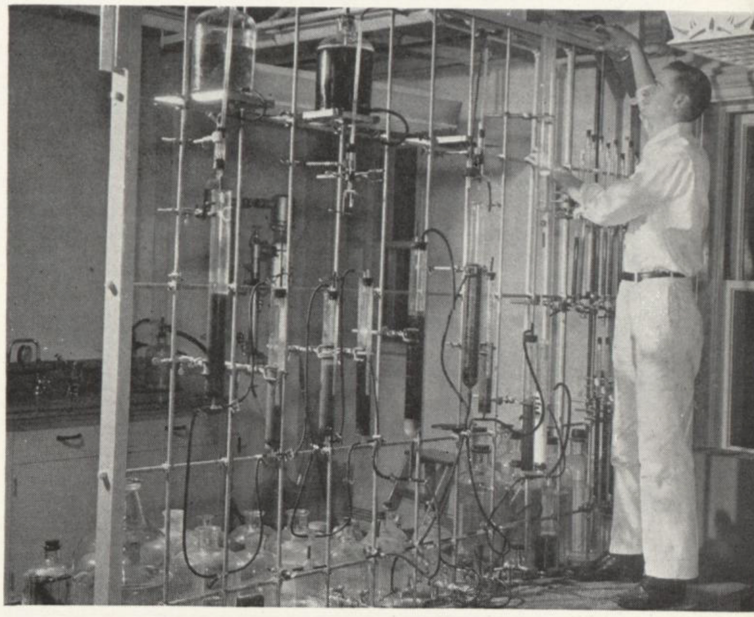
Development

work in the 41 fully-equipped laboratories we have established there. A total of 73 active projects in food research already are under way.

In addition, our new Kraft laboratories at Glenview, Illinois, were opened early this year.

Special emphasis is being placed there on applied research to create new Kraft products, improve existing products and help in the development of better manufacturing processes.

Scientists and technicians are at work in the various pilot plants set up in these laboratories.



Among the many pieces of interesting equipment at Oakdale are the ion exchange columns shown here in the chemical laboratories. Scientists use this apparatus to remove mineral salts and acids from whey.

NATIONAL DAIRY PRODUCTS CORPORATION

230 PARK AVENUE • NEW YORK 17, N. Y.

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† Deceased: February 23, 1949.

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Registrar
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Akron Pure Milk Co., Akron, O.
Allen Ice Cream Co., Rockford, Ill.

Breakstone Bros., Inc., New York, N. Y.
Breyer Ice Cream Co., Philadelphia, Pa.
Breyer Ice Cream Co., Inc., Long Island City, N. Y.

Castles Ice Cream Co., Garfield, N. J.
Chapman Dairy Co., Kansas City, Mo.
Chestnut Farms-Chevy Chase Dairy Co., Washington, D. C.
Clover Dairy Co., Wilmington, Del.
Clover Farm Dairy Co., Memphis, Tenn.
Cloverleaf Creameries, Inc., Huntington, Ind.
Consolidated Dairy Products Co., Inc., Long Island City, N. Y.
Consolidated Products Co., Danville, Ill.
Consumers Dairy Co., Union City, N. J.

Deerfoot Farms Co., Southboro, Mass.
Detroit Creamery Co., Detroit, Mich.
Dodds Alderney Dairy, Inc., Buffalo, N. Y.

Ebling Creamery Co., Detroit, Mich.
Erie County Milk Association, Erie, Pa.
Ewing-Von Allmen Dairy Co., Louisville, Ky.

Franklin Ice Cream Co., Kansas City, Mo.
Frechtling Dairy Co., Cincinnati, O.

General Ice Cream Corp., Schenectady, N. Y.

Harding Co., Omaha, Neb.
Hiland Dairy Co., Newport, Ky.
Hydrox Corp., Chicago, Ill.
Hydrox Ice Cream Co., Inc., Long Island City, N. Y.

Kraft Foods Co., Chicago, Ill.
  Alimentos Kraft Argentina, S.A.C.I., Buenos Aires, Argentina
  Betz & Jay, G.m.b.H., Cologne, Germany
  N. V. Kaashandel Betz & Jay, Rotterdam, Holland
  Kraft Cheese Co. Limited, Hayes, England
  Kraft Dairies Limited, Hayes, England
  Kraft Foods Co. of Wisconsin, Chicago, Ill.
  Kraft Foods Limited, Outremont, Quebec, Canada
  Kraft Kase-Werke, G.m.b.H., Lindenberg, Bavaria, Germany
  Kraft Walker Cheese Co. Proprietary Ltd., Melbourne, Australia
  Phenix Pabst-ett Co., Chicago, Ill.

Luick Dairy Co., Milwaukee, Wis.
Luick Ice Cream Co., Milwaukee, Wis.

Martin Dairy Products Co., Martin, Tenn.
Marvadel Ice Cream Co., Inc., Salisbury, Md.
Matthews-Frechtling Dairy Co., Cincinnati, O.
Merchants Cold Storage Co., Cincinnati, O.
Muller Dairies, Inc., New York, N. Y.

Nashville Pure Milk Co., Nashville, Tenn.
National Creamery Co., Somerville, Mass.
National Dairy Products Co., Inc., Chicago, Ill.
National Dairy Products Corp. of Canada, Limited, Toronto, Canada
National Dairy Research Laboratories, Inc., Oakdale, N. Y.

Ohio Clover Leaf Dairy Co., Toledo, O.
Ohio Evaporated Milk Co., Pittsburgh, Pa.
Ovson Egg Co., Chicago, Ill.

Rieck-McJunkin Dairy Co., Pittsburgh, Pa.
J. D. Roszell Co., Peoria, Ill.

St. Louis Dairy Co., St. Louis, Mo.
Sanitary Milk Co., Canton, O.
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Sheffield Farms Co., Inc., New York, N. Y.
Southern Dairies, Inc., Washington, D. C.
Sugar Creek Creamery Co., Danville, Ill.
Supplee-Wills-Jones Milk Co., Philadelphia, Pa.

Telling-Belle Vernon Co., Cleveland, O.
Tri-State Butter Co., Cincinnati, O.

Union Ice Cream Co., Nashville, Tenn.

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BRAND
NATURALLY RIPENED
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NET WGT. 5 Pounds
A NEW TYPE OF CHEESE MADE FROM PASTEURIZED WHOLE MILK
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24 BARS • KRAFT FOODS

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ONE GALLON LIQ. • FOR HOME USE

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3 OZS. NET WGT.
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FOR USE ON MACARONI, SPAGHETTI, RAVIOLI, ENCHILADAS, AND WITH ALL COOKING RECIPES WHERE GRATED CHEESE IS INDICATED.
EXCELLENT FOR ALL AU GRATIN DISHES
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ICE CREAM TARTS
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CASINO
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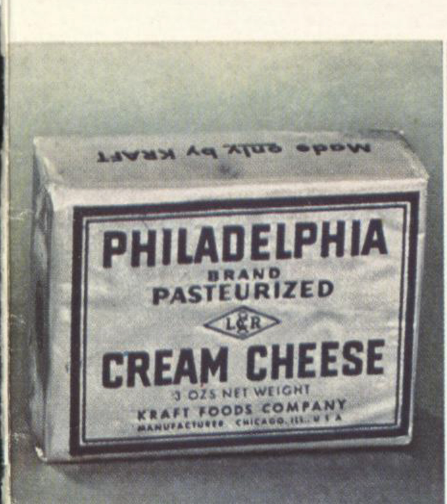
CASINO
CAMEMBERT
CASINO

KRAFT
POWDERED
WHOLE MILK
VITAMIN D ADDED
KRAFT WHOLE MILK
8 OUNCES
NET WGT.
Kraft
powdered
WHOLE MILK
PASTEURIZED
JUST RESTORE WATER... MAKE 2 QUARTS OF FINE FLUID MILK WITH UNIFORM CREAM CONTENT
VITAMIN D ADDED
KRAFT FOODS COMPANY

SANDWICH
10¢
10¢
Sealtest
ICE CREAM
POP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PHILADELPHIA
BRAND
PASTEURIZED
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CREAM CHEESE
3 OZS NET WEIGHT
KRAFT FOODS COMPANY
MANUFACTURER CHICAGO, ILL. U.S.A.

Mild Creamy Tasty
DO NOT FREEZE
KRAFT MUSTARDS
ONE PINT
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Salad Dressing
AN ORIGINAL RECIPE CREATED BY
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KRAFT
Mayonnaise
Kitchen Fresh
ONE PINT
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